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DEFENSE DEPARTMENT AUTHORIZATION AND OVERSIGHT

HEARINGS

ON

H.R. 4428

DEPARTMENT OF DEFENSE AUTHORIZATION OF APPROPRIATIONS FOR FISCAL YEAR 1987

AND

OVERSIGHT OF PREVIOUSLY AUTHORIZED PROGRAMS

BEFORE THE

COMMITTEE ON ARMED SERVICES
HOUSE OF REPRESENTATIVES
NINETY-NINTH CONGRESS
SECOND SESSION

TITLE III—OPERATION AND MAINTENANCE

HEARINGS HELD
FEBRUARY 18, 19, 20, 24, 26, 27; MARCH 5, 6, 11,
AND 12, 1986

U.S. GOVERNMENT PRINTING OFFICE
60-959 O WASHINGTON : 1986

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99TH CONGRESS
2D SESSION

H. R. 4428

To authorize appropriations for fiscal year 1987 for the Armed Forces for procurement, for research, development, test, and evaluation, for operation and maintenance, and for working capital funds, to prescribe personnel strengths for such fiscal year for the Armed Forces, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

MARCH 18, 1986

Mr. ASPIN (for himself and Mr. DICKINSON) (by request) introduced the following bill; which was referred to the Committee on Armed Services

---

A BILL

To authorize appropriations for fiscal year 1987 for the Armed Forces for procurement, for research, development, test, and evaluation, for operation and maintenance, and for working capital funds, to prescribe personnel strengths for such fiscal year for the Armed Forces, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Department of Defense Authorization Act, 1987".

* * * * * * *

TITLE III—OPERATION AND MAINTENANCE

AUTHORIZATION OF APPROPRIATIONS

SEC. 301. (a) Funds are hereby authorized to be appropriated for fiscal year 1987 for the use of the Armed Forces of the United States and other activities and agencies of the Department of Defense for expenses, not otherwise provided for, for operation and maintenance, in amounts as follows:

For the Army, $21,341,870,000.

For the Navy, $25,688,500,000.

For the Marine Corps, $1,864,100,000.

For the Air Force, $21,214,500,000.

For the Defense Agencies, $8,573,700,000.

For the Army Reserve, $793,100,000.

For the Naval Reserve, $975,900,000.

For the Marine Corps Reserve, $65,300,000.

For the Air Force Reserve, $975,600,000.

For the Army National Guard, $1,786,900,000.

For the Air National Guard, $1,932,700,000.

For the National Board for the Promotion of Rifle Practice, $930,000.

For Defense Claims, $155,600,000.

For the Court of Military Appeals, $3,400,000.

For Environmental Restoration, Defense, $385,900,000.

(b) There are authorized to be appropriated for fiscal year 1987, in addition to the amounts authorized to be appropriated in subsection (a), such sums as may be necessary—

(1) for unbudgeted increases in fuel costs;

(2) for unbudgeted increases as the result of inflation in the cost of activities authorized by subsection (a); and

(3) for unbudgeted amounts for salary, pay, retirement, and other employee benefits authorized by law for civilian employees of the Department of Defense whose compensation is provided for by funds authorized to be appropriated in subsection (a).

AUTHORIZATION OF APPROPRIATIONS FOR WORKING CAPITAL FUNDS

SEC. 302. Funds are hereby authorized to be appropriated for fiscal year 1987 for the use of the Armed Forces of the United States and other activities and agencies of the Department of Defense for providing capital for working-capital funds, in amounts as follows:

For the Army Stock Fund, $296,700,000.

For the Navy Stock Fund, $478,500,000.

For the Marine Corps Stock Fund, $45,900,000.

For the Air Force Stock Fund, $239,400,000.

For the Defense Stock Fund, $136,800,000.

AUTHORIZATION OF APPROPRIATIONS FOR TENTH INTERNATIONAL PAN AMERICAN GAMES

SEC. 303. Funds are hereby authorized to be appropriated for fiscal year 1987 for assistance to the Tenth International Pan American Games in accordance with section 304 of the Department of Defense Authorization Act, 1986, in the amount of $15,000,000.

* * * * * * *

ARMY OPERATION AND MAINTENANCE ACCOUNT

House of Representatives,
Committee on Armed Services,
Readiness Subcommittee,
Washington, DC, Tuesday, February 18, 1986.

The subcommittee met, pursuant to call, at 2 p.m., in room 2337, Rayburn House Office Building, Hon. Dan Daniel (chairman of the subcommittee) presiding.

OPENING STATEMENT OF HON. DAN DANIEL, A REPRESENTATIVE FROM VIRGINIA, CHAIRMAN, READINESS SUBCOMMITTEE

Mr. **Daniel**. The subcommittee will be in order.

Before we commence, let me take this opportunity and pleasure to present General Noah's wife, Priscilla. Nice to have you with us. And General Williams' wife, Marjorie. I am mighty glad to have you with us today.

This afternoon the subcommittee begins its consideration of fiscal year 1987 Department of Defense Operation and Maintenance request with testimony from Army witnesses.

I would like to say again how much we appreciate the good job you all did with your charts last year. They are the most understandable that I have seen since I have been on the Hill. I know you worked hard at it and we appreciate it.

We are glad to welcome back Lt. Gen. Max Noah, Comptroller of the Army, and Brig. Gen. Chuck Williams, Director of Operations Support, for their second appearance before the subcommittee.

You both have your work cut out for you this year, as do we. The Army is fortunate to be able to rely on a couple of seasoned veterans to operate in what seems certain to be a legislative free fire zone.

As we are all aware, the enactment of the Gramm-Rudman-Hollings amendment cast a long shadow over congressional budget deliberations this year. This is especially the case we expect of the Defense budget, and the challenge is nowhere greater than with the outlay-rich operation and maintenance accounts.

The upshot is that we find ourselves rushing to judgment with too little information and too many unknowns. For example, we are attempting to consider the fiscal year 1987 request without knowing where we stand in fiscal year 1986.

The budget figures and justification material do not reflect the impact of the fiscal year 1986 Gramm-Rudman-Hollings sequestrations that will take place on March 1. Yet, this sequestration will almost double the fiscal year 1986 congressional reductions and get six times as much program.

In order to make responsible decisions about fiscal year 1987, we must know more about fiscal 1986. That is why we have asked DOD witnesses to address the impact of the upcoming sequestration in their testimony.

Our second challenge is the uncertainty about the size and apportionment of the subcommittee's fiscal year 1987 reductions in the Defense budget. Not only has Gramm-Rudman-Hollings fundamentally altered the congressional budget procedure, but it has placed a heavy—and I would say unfair—burden for deficit reduction on the Defense budget.

Moreover, for the first time, the subcommittee's emphasis must be upon outlays and not budget authority. As we all are aware, the O&M first year spend-out rate is about 80 percent outlays compared to much lower rates in the various investment accounts. Thus, whatever budget targets the subcommittee establishes will require a more intense review of O&M funding requirements.

Third, it looks as if we will have less time than usual to make these judgments because the full committee is scheduled to complete markup on March 20. Consequently, the subcommittee has less than a month to complete its hearings and develop specific recommendations.

Further complicating the situation is the fact that detailed budget justification material is not scheduled to be available until about the 24th of this month. In short, we are really going to be up against this cycle and we will need all the expert assistance we can get to make responsible recommendations in a very short time.

We hope all of our witnesses will keep that in mind during these hearings on the O&M budget request in the coming weeks.

Our last and most important challenge is to attempt to reconcile the need for substantial deficit reductions with readiness and quality-of-life requirements.

This subcommittee was established to provide a constituency for readiness, and I have no intention of presiding over the dismantling of the progress we have made in the past 5 years.

On the other hand, we have to recognize new fiscal realities and the need for careful review of O&M programs and priorities to make sure that we are getting the most for our money. Balancing these needs will not be easy but I am convinced that responsible alternatives and options can be developed that will preserve the key elements of readiness and provide a quality of life our military personnel and their families expect, and deserve.

Before we turn to the witnesses I would like to call on my colleague from Virginia, Mr. Whitehurst, who has served so well on this subcommittee and has served his constituents so well in the Congress. Bill, as I do every time that I see you lately, I regret exceedingly that you are leaving.

Mr. WHITEHURST. Thank you, Mr. Chairman.

Mr. DANIEL. I recognize the gentleman from Virginia Beach.

STATEMENT OF HON. G. WILLIAM WHITEHURST, A REPRESENTATIVE FROM VIRGINIA, RANKING MINORITY MEMBER, READINESS SUBCOMMITTEE

Mr. WHITEHURST. I want to salute the chairman for a very excellent statement and thank him for his personal words of esteem. I carry with me the fondest memories of service on this subcommittee when I leave the House.

I also join Mr. Daniel in welcoming back General Williams and General Noah and also to tell you how pleasant it is to see your wives here. Do you normally do this, do you normally go with your husbands?

Mrs. NOAH. Just when you all have a meeting.

Mr. WHITEHURST. That's great. My wife, as a matter of fact, works in my office as my full-time, unpaid, legislative assistant. So I always admire teamwork of this sort and I know that your husbands regard your support as critical.

For the past couple of years I have likened advocacy of the O&M accounts to membership on the Light Brigade. This year I feel like we are members of the Lost Battalion, because at least the Light Brigade knew where it was going. Here we are almost halfway through fiscal year 1986, looking at a program reduction due to sequestration that is six times greater than all previous congressional reductions in the course of the authorization appropriation process.

In addition, we have to deal with over $800 million in unauthorized program adjustments by the Appropriations Committees. As the chairman has mentioned, at this time we do not know where Congress is going to come down on the size of the Defense budget in fiscal year 1987.

We also do not know how any reductions will be apportioned among the various accounts. Nevertheless, I think it is safe to say that congressional reductions will be substantial and pressure upon the O&M account will be greater than at any time since the creation of this subcommittee.

Parenthetically, Mr. Chairman, I might add I was at the College of William and Mary last night to speak to a group of students. I specifically addressed this and indicated that I am more alarmed about O&M funding this year than I have been since this subcommittee was established 5 years ago.

To make matters worse, we are operating on the basis of new budget procedures established by the Gramm-Rudman-Hollings amendment that do not seem to specifically recognize the authorization process. All we know for certain is that we have even less time to perform budget review than ever before if we want to play an active role in the new congressional budget process.

Under the circumstances, if we are to succeed in protecting readiness and quality-of-life programs in the coming month, we will need all the help and information that DOD O&M managers can provide. We will have to look at options we have not looked at before. We are going to have to scrub all O&M programs thoroughly for savings to increase efficiency and economies.

By the same token, we are going to have to evaluate all major program initiatives strictly on the basis of their contribution to readiness and whether they are in keeping with congressional policy goals.

It won't be easy, for I am convinced that the extent of our success will depend on the quality and timeliness of the information we receive in the course of this year's hearings. With this help, I am confident that the Lost Battalion will not only survive but play an active and positive role in this year's congressional budget process.

I thank the chairman for his indulgence.

Mr. DANIEL. Thank you, Mr. Whitehurst.

Mr. Hutto, do you have anything you want to add?

Mr. HUTTO. No, Mr. Chairman, I think you and Mr. Whitehurst have covered it very well. I would just like to add my welcome to the generals and their wives.

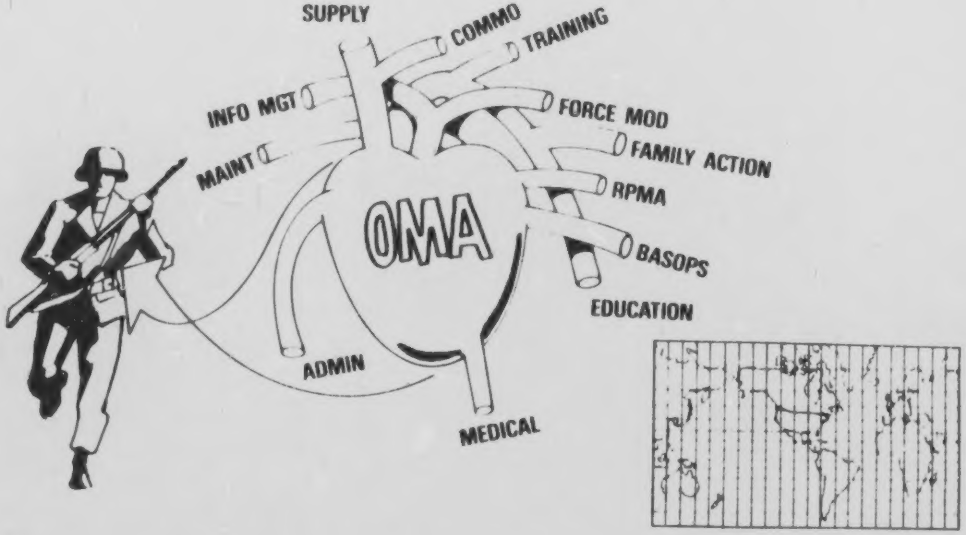
Mr. DANIEL. You may proceed as you desire.

STATEMENT OF LT. GEN. MAX W. NOAH, COMPTROLLER OF THE ARMY, DEPARTMENT OF THE ARMY, ACCOMPANIED BY BRIG. GEN. CHARLES E. WILLIAMS, DIRECTOR OF OPERATION AND MAINTENANCE, ARMY, OFFICE OF THE COMPTROLLER, DEPARTMENT OF THE ARMY

General NOAH. Thank you very much, Mr. Chairman. It is a great pleasure for General Williams and I to be back this year before you.

We are going to talk to you about the 1987 budget and then at the end, as you have requested, we will talk about some of the impacts that sequestration will have on the 1986 budget. When I talk of 1986, though, I will be talking of the budget as appropriated and then we will talk later about the sequestration effect on the budget.

THE ARMY HEART LINE



The OMA appropriation, as you well know, and have attested here, provides the essential funding to support the Army leadership's vision of how the total Army should prepare for land combat both today and tomorrow. We seek to: Provide quality soldiers and strong families; field a flexible, modernized force to fight across the spectrum of conflict; develop high technology and productivity enhancements exploit operational and tactical dimensions of the AirLand battle doctrine; fight and sustain as part of joint and combined forces; and improve our tactical and strategic deployability.

Readiness is a primary aim as we seek to achieve these objectives. With your help over the past few years, we have improved our readiness by recruiting and retaining quality soldiers, enhancing soldier and civilian skills, and motivating and modernizing the force with equipment of much greater capability than we have had in the past.

Maximum readiness depends on a reasoned balance among our appropriations, both investment, personnel, and the O&M appropriations. At the same time, we must be mindful in a time of strong measures to control deficits to conserve our resources through improved operations and productivity enhancements.

I think you will see that in the 1987 OMA budget request we seek to do just that.

Mr. **Hutto**. Mr. Chairman.

Mr. **Daniel**. Mr. Hutto.

Mr. **Hutto**. General, I was just wondering if the OMA heart is conducive to bypass surgery. [Laughter.]

That's the thing these days.

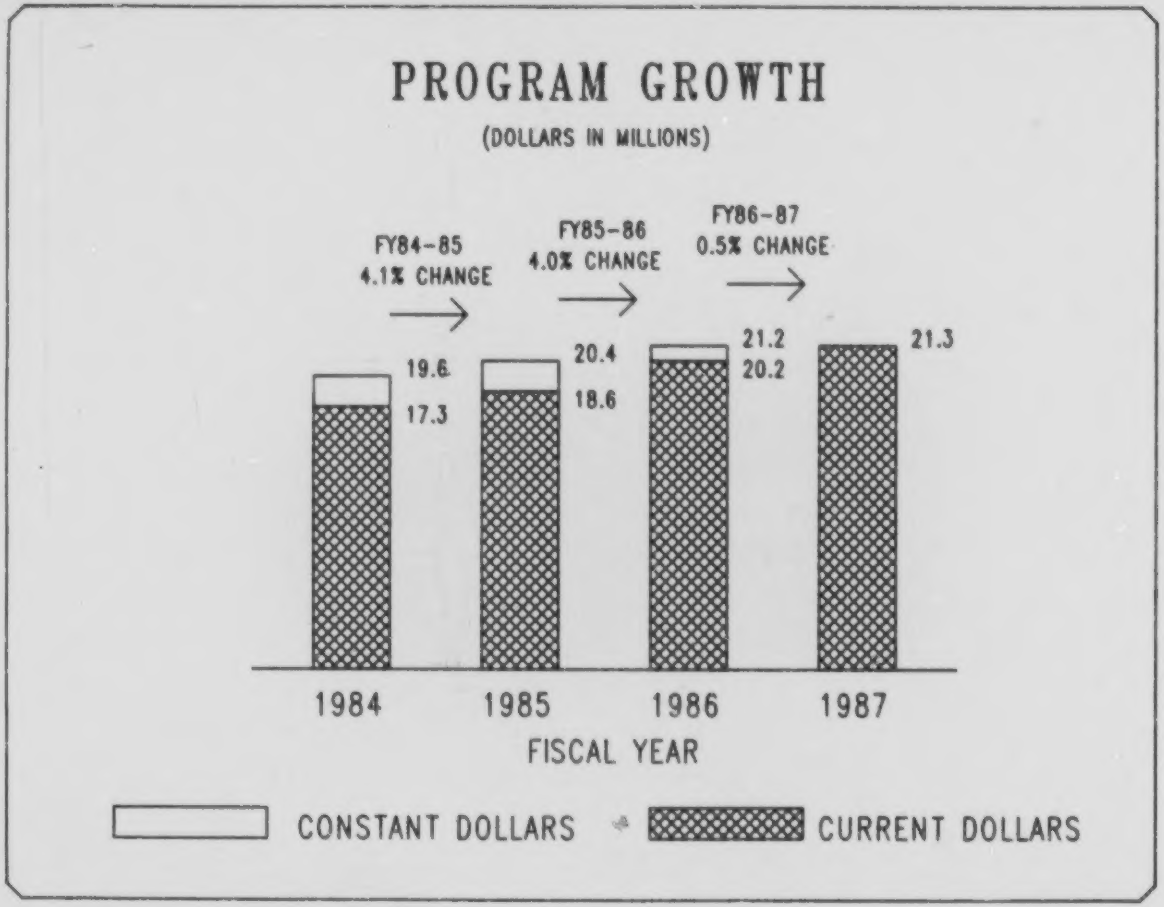
General **Noah**. It has just started its stress test. We don't know if we are going to do a catheterization or not, but it is still plugging along.

Mr. **Daniel**. If you do we have some good facilities near where you were born at Duke University.

General **Noah**. OK.

Mr. **Hutto**. We have some good surgeons, too, their names are Gramm and Rudman. [Laughter.]

General **Noah**. OK.



PROGRAM GROWTH

(DOLLARS IN MILLIONS)

The formulation of the 1987 budget began 5 years ago in our building of our 5-year Defense plan in the Department of Defense. The 1987 budget request of $21.3 billion builds upon the results of the resources previously provided by Congress and continues to support personnel and modernization initiatives of the past 4 years.

I would emphasize that much of what we do in OMA supports what we have invested in from the past that is coming into being right now and, of course, that is in being. So we have to be mindful of that when we are taking a look at the budget. Of course, when we built it we did that.

When the OMA budgets from 1984 to 1987 are compared it can be seen that real growth has been reduced from 4 percent per year, as you can see here, to about a half a percent, which is almost basically a flat budget line there.

FY 1987 OMA BUDGET TRAIL

(Dollars in Millions)

FY 1986 Appropriation	$ 18,975	
Inter Appropriation Transfers		
Foreign Currency	906	
Environmental Restoration	138	
Other	(– 15)	
Readiness Increase	207	
FY 1986 Current Estimate	20,211	
Price Growth	1,036	(5.0%)
Real Program Growth	95	(0.5%)
FY 1987 Budget Request	$ 21,342	

This chart provides you a more detailed look at how we arrived at that half percent real growth. A fair amount of that is price growth that has to do with the foreign currency account.

The only slightly positive growth required the Army leadership to make some difficult decisions this year on the allocation of these scarce resources in an Army with still growing modernized equipment inventories and still more improvements needed in family programs and all facilities. The listing of that OMA budget, by budget category, shows in this allocation here, and you can see the program growth listed there.

FY 1987 OMA BUDGET

PRICE AND PROGRAM GROWTH

(DOLLARS IN MILLIONS)

PROGRAM	FY 85	FY 86	PRICE GROWTH	PROGRAM GROWTH	FY 87	CHANGE	% PROG GROWTH
2 GEN PURP FORCES	3247	4146	-519	6	3633	-513	0.1
3 INTELLIGENCE	236	261	6	11	278	17	4.2
3 COMMUNICATIONS	865	1140	59	41	1240	100	3.6
7 CENTRAL SUPPLY	2397	2393	571	-72	2892	499	-3.0
7 DEPOT MAINTENANCE	2225	2230	85	-47	2268	38	-2.1
7 ENVIRONMENTAL	0	138	5	-126	17	-121	-91.3
8 TRAINING	1061	1122	24	50	1196	74	4.5
8 MEDICAL	1224	1395	59	-10	1444	49	-0.7
8 OTH PERS ACT	642	637	18	24	679	42	3.8
9 ADMINISTRATION	941	881	20	18	919	38	2.0
10 SPT TO NATIONS	168	176	61	-12	225	49	-6.8
11 BASE OPS (-)	2863	2874	190	92	3156	282	3.2
12 RPMA	2792	2816	457	123	3396	580	4.4
TOTAL	18660	20211	1036	95	21342	1131	0.5%

Note: Totals may not add due to rounding

A quick look at this, which we would call budget categories, shows continued support of communications and automation, training, recruiting and examining, base operations and real property maintenance. The decrease in the general purpose forces funds, which is apparent there, actually results from a fund redistribution procedure we use in handling a foreign currency fluctuation change.

As you know, a large portion of that account funds our overseas training in Germany, and in the Far East. In actuality, the general purpose forces funding has only slight growth as shown there in the real sense.

Mr. DANIEL. May I interrupt you just at that moment, please?

General NOAH. Yes, sir.

Mr. DANIEL. What effect is the decline in the value of the dollar on foreign exchange going to have on your overseas operations? Have you calculated that? Of course, we don't know where it is going. Is that calculated anywhere into your budget figures?

General NOAH. At the end of the year, we had the foreign currency fluctuation account, which you know Congress authorized us some years ago in OMA. During that period, last year, we had a fluctuation change in all accounts in OMA of about $750 million. We annualize that this year and that is the effect of what you see here. In fact, the P-2, the forces account there, got about $94 million plus in that respect. So the fluctuation account helps us here. It does not help us in the Army family housing account. We are, as I understand, coming forward in another appropriation to try and get a fluctuation account. The fluctuation account levels out or dampens, if you will, a lot of effect that would have been there.

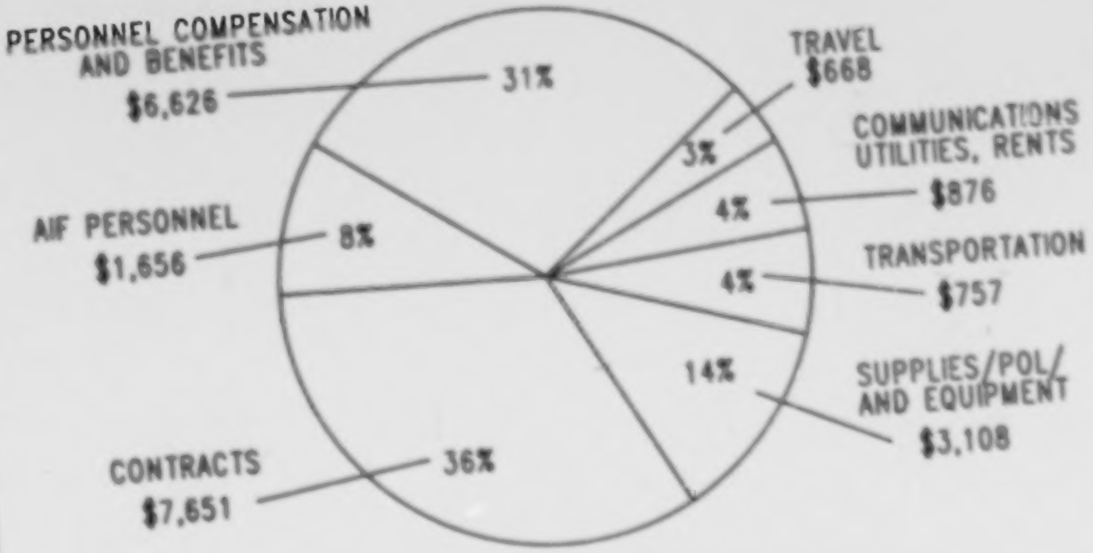
Of course, as you are well aware, in your family programs, the impact on the family member of going out and buying, say, with a Deutsche mark at 3.73 versus 2.45 is quite a bit different. That impacts, of course, on our facilities over there, as you are well aware, in the AAFES business. That is probably where we feel it more, as a family, rather than we would in the appropriation.

Mr. DANIEL. Thank you.

General WILLIAMS. Mr. Daniel, if I could build on that just a bit. About $450 million of this foreign currency is related to Germany and it affects our maintenance and repair, or BMAR, very severely.

General NOAH. In executing the OMA budget we finance several categories of expense which include contracts, personnel, supplies, and other costs. And these are more apparent to you as we go along spending our money. And the distribution is shown there.

TYPE OF EXPENSE FINANCED



FY 1987 OMA TOTAL $21,342

(DOLLARS IN MILLIONS)

The largest expense which is contracting, at 36 percent of the total, includes a variety of functions provided by the private sector, including studies and analysis, equipment and facility maintenance and commercial activities.

Mr. **Whitehurst**. General Noah.

General **Noah**. Yes, sir.

Mr. **Daniel**. Go ahead.

Mr. **Whitehurst**. I notice on the 14 percent, the brown wedge there supplies, POL and equipment. And we have all raised this question before and we are looking at potential savings—with the price of petroleum plummeting, are you going to be able to find some dollars there?

General **Noah**. Undoubtedly, we will, and you will see that in the Army stock fund price adjustment in the budget. You will see some savings in the stock fund prices.

Mr. **Whitehurst**. You can't be precise, I understand, because those figures I don't think have bottomed out yet. But will it be substantial?

General **Noah**. Since it is occurring right now even as we put the budget together, I would say I don't know, I would have to give you a guess. It will probably be substantial, but if we could give that for the record, I will supply that.

Mr. **Whitehurst**. That will be fine.

I guess all of us are trying to find as much of a cushion as we can because we are anticipating a worse case.

[The following information was received for the record:]

FALLING PETROLEUM PRICES

General **Noah**. The Army buys all fuel from the Defense Stock Funds, which charges all customers including Army O&M accounts on a "stabilized rate" basis. Under this procedure, the customers pay these predetermined, budgeted rates to the stock fund regardless of the cost of oil purchased on the open market. Thus the profit, if any, accrues to the stock fund, not the O&M appropriations. Recognizing this fact, Congress for the last two or three years has reduced the O&M accounts with the concomitant requirement that a like amount be transferred from the stock fund to the O&M accounts. This procedure is the only way that falling POL prices could affect the O&M request.

Under the procedures described above the O&M request would be reduced, less would be appropriated and the taxpayer would reap the windfall. The budget request reflects a decrease for fuel of $35 million from fiscal year 1986. Fuel prices on the world market have dropped another 40 percent in recent months. This would result in a potential pass-thru in fiscal year 1987 of approximately $152 million.

General **Noah**. Again, that would come through in a stock fund price for the Army, and you would find it in that portion of the budget.

Mr. **Whitehurst**. OK, thank you very much.

General **Noah**. Of course, it would affect the way we do our spending, obviously.

The direct pay and benefits for 277,000 civilian employees requires 31 percent of the total while the Army industrial fund [AIF] portion of 8 percent, represents the compensation and benefits paid to civilian personnel working in AIF facilities, which include a large portion of our depots, as you know.

The remaining 25 percent, which you mentioned, Mr. Whitehurst, has a vast array of supplies, equipment, transportation, communication, utilities, and travel, all necessary for daily operations of the Army.

The Army Force Structure of light forces, which includes special operation forces, light divisions, and 82d Airborne are for rapid deployment worldwide. Heavy forces are for sustained combat, which we feel are still essential for a credible conventional deterrent.

The support forces for those of military and civilian personnel are also necessary, very essential, and they provide the vast quantities of support needed to equip, train, facilitate, mobilize, deploy, and sustain the fighting force.

OMA funds make that whole force viable, and without enough OMA, frankly, the Army will falter.

Now, soldiers, civilians, and their families are the strongest and most important part of our Army. We must continually provide the kind of living and working environment which will encourage the best qualified and motivated people to enter and remain as active participants in the Army family, and to make Army service their career.

Army recruiting is a real success story which must be strongly pursued or else we will start to see a fall-off in the quality of the soldier so critical to the Army. Dedicated, skilled recruiters, backed up by sophisticated modern advertising are now keeping our force at full strength with high quality recruits.

The $293 million OMA request for recruiting and examining is critical, a program growth increase of $19 million over 1986. With a declining pool of potential accessions, the Army must have incentives that attract, distribute and align quality young people to keep forming the core of enlisted people from which our future noncommissioned officers will be drawn.

In civilians, the OMA request provides the direct pay and benefits for 67 percent of your civilians in the Army, as well as, indirectly, through the Army industrial fund, the salaries of 54,000 AIF employees through user purchases of goods and services from various AIF activities.

I am happy to report that we continue to be successful at managing our civilians without end strength ceilings. Our current Army goal is to hold civilians relatively constant by capitalizing on productivity enhancing technology, modest increases in overtime, continued contracting, where that is economically called for, and other management efforts.

While the civilian work force is projected to show a decline in fiscal year 1987, these efficiency initiatives have allowed us to program growth in civilian substitution, force modernization, light infantry division restructuring, security protection, and medical programs.

Mr. HUTTO [presiding]. General, if I may I would like to ask you about the civilian personnel.

General NOAH. Yes, sir.

Mr. HUTTO. Two or three years ago, this subcommittee led the effort to do away with the civilian personnel ceiling. I was just wondering what is right. You have a ceiling now for the Army on the number of civilian personnel, at what, the beginning, or end of fiscal 1987? How is that arrived at, and why?

General **Noah**. We program money for civilian strength, because you have to have some sort of target——

Mr. **Hutto**. OK, but the money comes first. In other words, your management.

General **Noah**. Our management element is money. We use an AFT.

Mr. **Hutto**. The amount of money dictates the——

General **Noah**. That is correct. Annual Financial Target. We put out an AFT which we can adjust. In fact, we adjust it quarterly, don't we?

General **Williams**. We adjust it quarterly.

General **Noah**. Quarterly during the year, based on what the command feels that it needs. We keep in mind that we have a civilian strength. But it is not a civilian end strength such as we used to have. With your good help, we took off end strength a few years ago. That was a fixed strength target. We are now managing it basically with budget or money terms. And that has a profound effect on the way we do business, quite frankly.

Mr. **Hutto**. You don't have any sort of freeze in hiring civilians now, do you?

General **Noah**. No. What we did was, and I will say this later in the Gramm-Rudman portion, we passed down a money programmatic target hit which we looked at with our MACOMS, at Atlanta, and with AMC out here, and TRADOC down at Norfolk, and Europe, and passed out a money target slanting those toward a programmatic cut. We did not put a freeze on. We said that decision can go down to post, camp and installation.

What they do is basically selectively hire and we are starting to get a feel for that, but we have had no hire freeze.

Mr. **Hutto**. All right, thank you.

General **Noah**. Health care. The Medical Care Program 1987 budget request of $1.4 billion provides for worldwide medical and dental services to active forces and other eligible beneficiaries, veterinary services, medical examinations performed in military enlistment processing stations, and other support activities of the direct health care system.

As I said before, Army Family Programs are quite critical to the morale of our forces and are among our top priorities. With your help, we have made great strides toward providing a solid quality of life for our people and their families. Substantial resources have been invested in quality of life and family programs.

The 1987 resources will continue to improve living and working conditions and will meet a diverse set of needs, ranging from family housing to child development to upgrade of maintenance and repair shops to soldier and family services.

THE ARMY FAMILY PROGRAM

(DOLLARS IN MILLIONS)

	FY85	FY86	FY87
CHILD DEVELOPMENT CTR CONSTR (MCA)	9.9	39.9	45.6
EXCEPTIONAL FAMILY MEMBER PGM (OMA)	7.6	10.3	12.4
(MPA)	1.6	1.7	1.8
FINANCIAL PLANNING & ASSISTANCE (OMA)	0.0	3.4	7.4
FAMILY (IN-HOME) CHILD CARE (OMA)	0.0	6.2	8.4
STUDENT TRAVEL (OMA)	.7*	1.7	2.4
FAMILY MEMBER EMPLOYMENT (OMA)	0.0	0.7	5.1
ARMY FAMILY SERVICES (OMA)	0.0	3.1	7.8
INSTALLATION VOLUNTEER COORD (OMA)	0.0	0.0	1.6
CHILD DEVELOPMENT CURRICULUM (OMA)	0.0	0.0	6.8
ALCOHOL/DRUG ABUSE REHAB (OMA)	0.0	0.0	3.1
OUTREACH FOR JUNIOR ENLISTED (OMA)	0.0	0.0	3.0
(OPA)	0.0	0.0	1.8
AFTER SCHOOL CHILD DEVEL PGM (OMA) ("LATCH-KEY")	0.0	0.0	2.7
TOTAL	19.8	67.0	109.9

*ADDITIONAL $1.3M FUNDED AT MACOM LEVEL

The Family Action Program, we think, is a keystone to our Quality of Life Program, and is quite necessary to maintain our readiness.

Training of soldiers and civilians in the Army is vital to successful operations and support across the full spectrum of conflict in peacetime and in wartime.

The OMA budget includes funding for the operation of 7 Army training centers, 30 Army schools and colleges, and 6 DOD and joint service schools and colleges. These schools and colleges concentrate on providing soldiers, noncommissioned officers, officers and civilians with essential individual skills.

The OMA budget request contains $1.2 billion for institutional training. Training program growth from 1986 to 1987 of $50 million, or approximately 4 percent, provides for increased hands-on and field training, and development and distribution of instructional materials and training technology.

Training in units builds and maintains individual skills learned in the schoolhouse while welding the organization into a topnotch fighting unit. OMA provides, among other things, the fuel, repair parts and transportation costs necessary for unit operations.

In fact, about 90 percent of the budget that a division, for instance, spends, is for those items that I have stated there.

With this budget, we are able to maintain an essential level of training and operating tempo, which we measure in miles per year. For instance, 850 miles per year, per tank or fighting vehicle. Improvements are made through increased flying hours of 17 hours per crew per month. We are headed toward 20 hours per crew per month, which we consider necessary for a fully trained aviator to maintain his skills. Improvements are made in range modernization, and certainly we continue the National Training Center rotations of 28 battalions per year, all of which will enhance the Army's readiness.

Mr. WHITEHURST. General.

General NOAH. Yes, sir.

Mr. WHITEHURST. Will that be maximum use at Fort Irwin then?

General NOAH. Yes, 28 is. Twenty-eight battalions per year.

Mr. WHITEHURST. That is the maximum you can get in there?

General NOAH. Yes.

Mr. WHITEHURST. Super. I have talked about the activity there before. It is one of the most impressive the Army has.

General NOAH. Thank you.

Mr. WHITEHURST. It truly is. I went out there several years ago and did the whole routine. I thought it was just outstanding.

General NOAH. An aside, I would say we recently had the division commanders conference, active component division commanders conference, and I would say there is not one thing that will excite those people more, the generals, the commanders, than to mention that, and the effect that that has had.

We have an excellent setup out there. I welcome you to visit, any of you to visit, again.

Mr. WHITEHURST. It is superb, it really is. I encourage all of my colleagues to go that have not gone there.

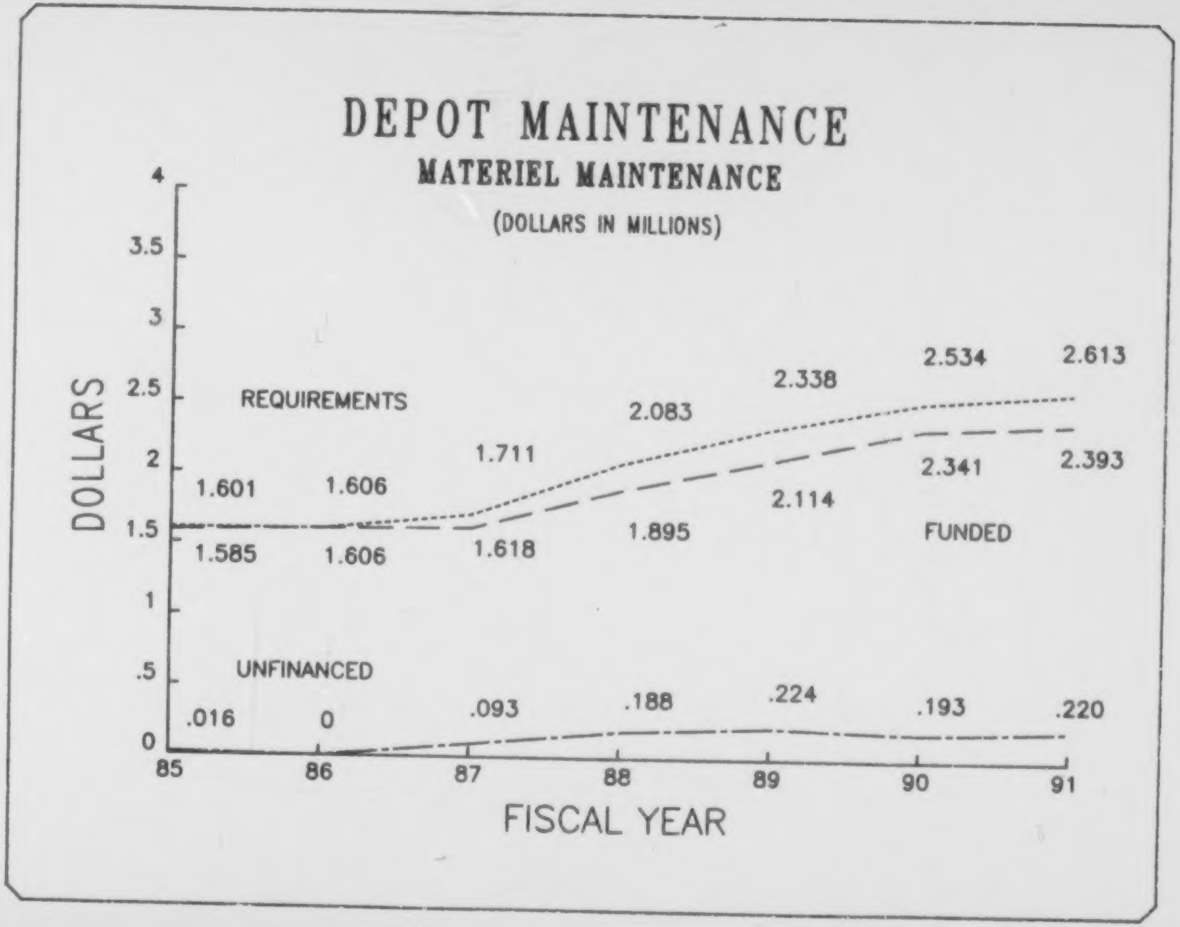
General NOAH. Thank you, sir.

The OMA Force Modernization Program provides one-time resources for the fielding of major new or modernized equipment procured in 1985 and entering the Army inventory in fiscal year 1987. These fielding costs include: Initial provisioning of repair parts and supplies; operator training, training materials, publications and transition training; transportation to fielding destination and deprocessing; and site activation.

The 1987 OMA request contains total funding of $503 million for fielding the intensively managed systems. The Army has implemented several management initiatives to improve forecasting of operating and support costs. These include utilizing computer models combined with better understood data bases and standardized accounting systems reports.

The OMA appropriation is central to the Force Modernization Program, which is even now only one-third to one-half complete, depending on the weapon system in question. We must see the program through to avoid fielding delays and stretchouts due to lack of OMA resources, which would only serve to slow restoring our deterrent strength.

To remain ready, the Army must maintain and sustain forces, facilities and equipment at acceptable levels.



DEPOT MAINTENANCE

MATERIEL MAINTENANCE

(DOLLARS IN MILLIONS)

The fiscal year 1987 budget is tailored to assure the Army a balanced depot maintenance program which continues to provide responsive support for units in the field through fiscally constrained maintenance support activities.

The Materiel Maintenance Program, which overhauls, modifies and converts hardware, is financed except for $93 million, which represents only a 5-percent backlog. Component repair and new systems are fully funded to maintain unit readiness.

Installation operations encompass a myriad of activities and functions at 95 major installations in the United States, 44 major military communities in Europe, 52 installations and activities in the Pacific, and the Panama defense complex.

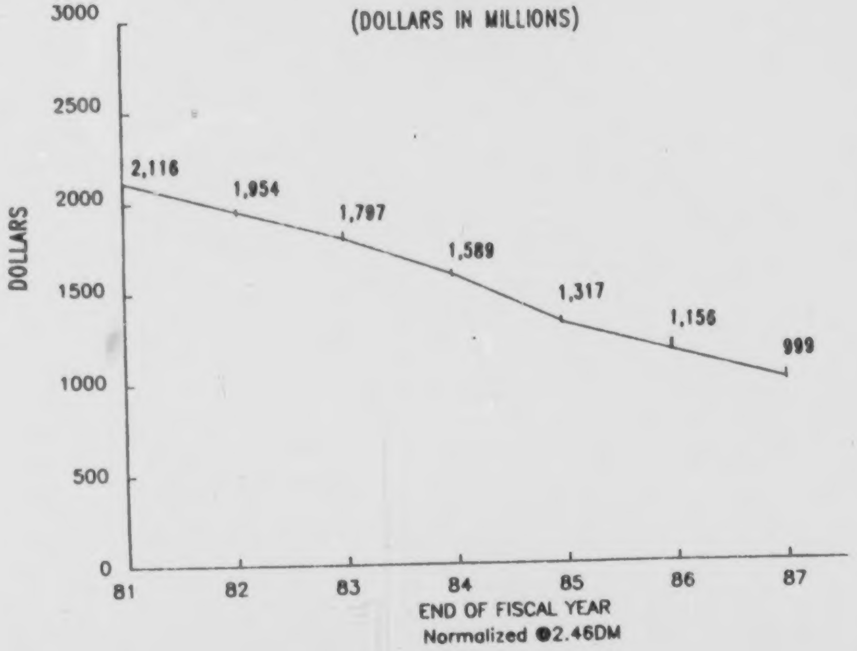
Army installations are better managed this year through the Army's initiatives to move to a standard installation organization. Functional areas standardized here include personnel, supply and maintenance, engineer, information management and contracting services to units and tenants of each installation.

In the real property maintenance account, the fiscal year 1987 request is $3.4 billion. The program growth in fiscal year 1987 is $129 million. Each major installation or community is similar, as you may know, to a small city with many things, such as buildings, utilities, airfields, roads, plus training areas and ranges not found in a normal civilian community.

Decent, well-maintained facilities and adequate services will result in a better satisfied military and civilian work force, and it contributes definitely to a higher level of retention of skilled personnel, and to readiness itself.

BACKLOG MAINTENANCE AND REPAIR
BMAR

(DOLLARS IN MILLIONS)



The projected backlog of maintenance and repair reduction, in real terms, for 1987 is $213 million after normalizing for currency fluctuation. The Army operates and maintains an aging physical plant with extensive holdings worldwide. There are over 300,000 buildings and facilities in the inventory with an average age of 37 years. Over time, BMAR projects get more costly to accomplish because neglected facilities breed accelerated deterioration and inflation adds to the estimated cost.

Major areas expected to benefit from the BMAR reduction are utility systems, unaccompanied personnel housing, community facilities, and maintenance and production facilities.

As you know, last year the Army brought together the communication, office automation and other elements, so vital to information management, into one mission area. The merger of these once separately managed functions promises a greater return on the Army's investment in the area of information, both in tactical and installation areas.

To accomplish this there will be some modifications in the future, in how information management is reflected in the budget and managed in the Army. We have charged the Information Systems Command with the task of operating the entire system for all functional areas, in all parts of the Army. Funding is provided direct to ISC for communications and large computer operations. For those automation services on installations, a chargeback system is being designed for implementation in 1 or 2 years. In the meantime, we have a reimbursable arrangement set up between our major Army commands and ISC.

THE STRATEGY

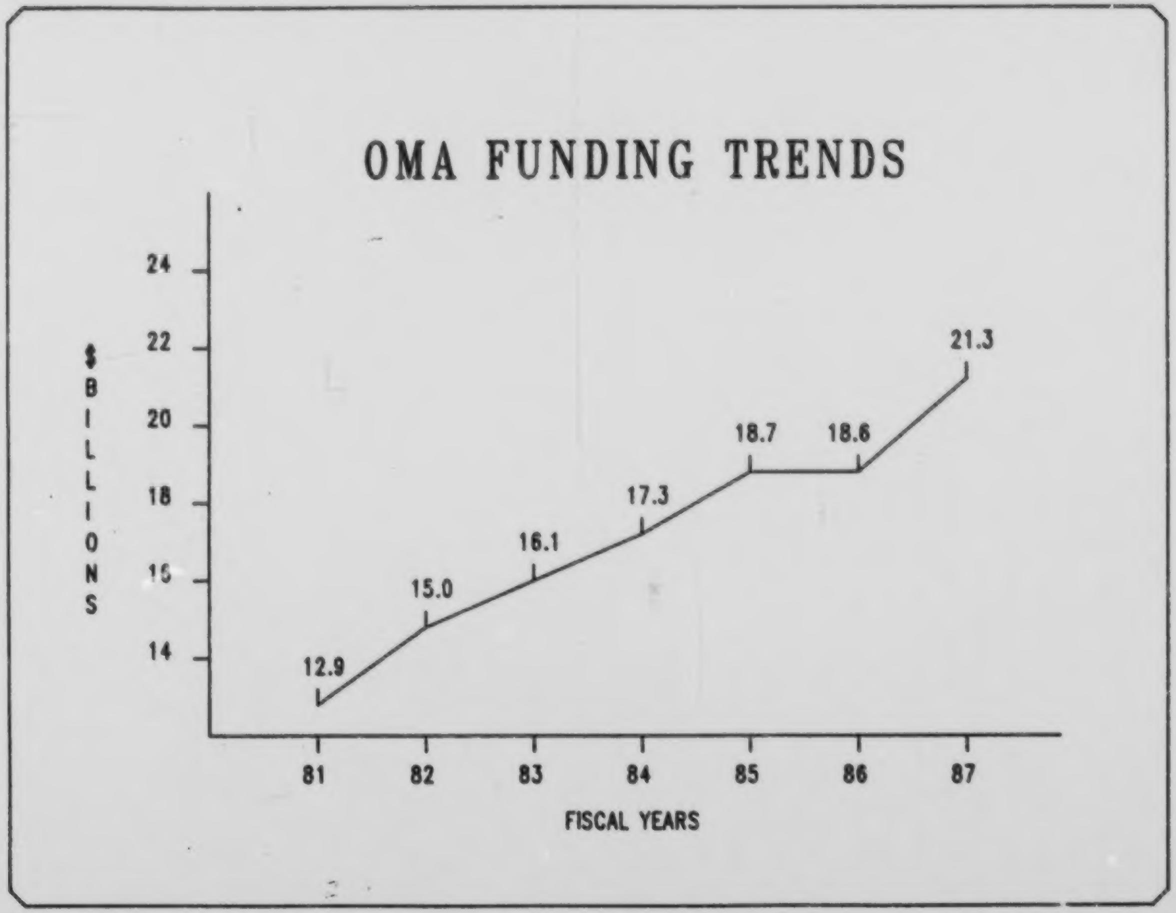
- PROTECT PROGRAMS SUPPORTING QUALITY SOLDIERS
- USE INNOVATIVE APPROACHES TO TRAINING
- PRESERVE READINESS WITH LESS MONEY
- ACCEPT GROWTH IN THE MAINTENANCE AND FACILITIES BACKLOGS
- CIVILIAN PERSONNEL REDUCTIONS TO BE PROGRAMATIC

Mr. Chairman, up until now I have focused on the fiscal year 1987 request and I will now summarize the impact, as we see it now, of the sequestering required in the Gramm-Rudman-Hollings reductions in the 1986 OMA funding. We will have definitely slowed the Army's pace in fiscal year 1986.

Our strategy is shown here in taking these reductions in the Army. These were largely prescribed by law and it was basically our strategy to reduce the programs across the board, with maximum flexibility being passed down to the commander in the field.

I should mention that we pulled in the representatives from our Major Commands in late December to lay this down with them as to where we were going to go. Flexibility was allowed, and it was allowed by the law in 1986. Much of that flexibility will not be allowed next year and that is of concern to us.

How this is affecting the field exactly is a little too early to tell. However, we can give some general comments on that.


OMA FUNDING TRENDS
$ BILLIONS
24
22
20
18
16
14
12.9
15.0
16.1
17.3
18.7
18.6
21.3
81
82
83
84
85
86
87
FISCAL YEARS

The healthy upward trend of OMA funding over the past few years clearly will be halted with the sequestration, as you see with the flat portion there as you go from 1985 to 1986.

To sustain the Army's continuing growth and at the same time be compelled to take cuts, has not been easy. There is no doubt the negative impact will be more visible as we execute these cuts. One billion dollars of programmatic reductions in OMA will have a significant impact on the working and living conditions of our soldiers and civilians. These reductions come at a most crucial time when the Army is seeking to be the best in the world.

OPERATION AND MAINTENANCE , ARMY
FY 1987 BUDGET

$ 1B REDUCTION HURTS OMA...

- ARMY WIDE TRAVEL REDUCED BY 5%
- BMAR REDUCTION $100M LESS THAN PLANNED
- DEPOT MAINTENANCE BACKLOG WILL INCREASE BY $104M
- ARMYWIDE BASEOPS WILL BE REDUCED BY $139M
- FLYING HOUR PROGRAM REDUCED BY 75K HOURS
- GROUND OPTEMPO REDUCED BY 2.5%
- TRANSPORTATION PROGRAMS CURTAILED
- HEADQUARTERS ADMINISTRATION ACTIVITIES TRIMMED
- CAREER INTERN PROGRAM SCALED DOWN

BOTTOM LINE: – WORKING AND LIVING STANDARDS LOWERED
TRAINING ACROSS THE BOARD IS SLOWED
READINESS REDUCED

This chart here gives you some of the programmatic cuts, giving you an exact impact that you could identify. I would mention that the Flying Hour Program, the 75,000 hour reduction there, is a 3.9-percent reduction. We have tried to seek to minimize the impact of that on the program but, nevertheless, it is a reduction in a critical program.

Ground OPTEMPO, will take 850 miles per year for a tank down to about 830 miles per year.

The depot maintenance backlog, which was set at zero here, will increase by $104 million, and will go to 93 percent funded this year. So there will be, no doubt, an impact on many programs.

In summary, funding an adequate OMA appropriation is critical to all parts of the Army. OMA is life support to the soldier and his family, to the fielding and sustaining of his weapons systems and to the maintenance and sustenance of his installations and logistics base.

The amount requested provides the minimum necessary resources to keep the Army ready to fight and win anywhere in the world. In my judgment, our Army is prepared to meet tomorrow's challenges. With your continued support, we will fulfill the important missions entrusted to us.

Mr. Chairman, we are ready for questions.

PREPARED STATEMENT OF LT. GEN. MAX W. NOAH

Mr. Chairman and members of the Committee I am delighted to have the opportunity to present the Army's FY 1987 Operation and Maintenance Appropriation, the lifeblood of the Army.

As you know this is my second appearance before this committee in my current capacity. Accompanying me again is Brigadier General Charles E. Williams, the Director of Operations and Support, who will serve as a backup witness during the hearing.

The OMA appropriation provides the essential funding to support the Army Leadership's vision of how the total Army should prepare for land combat both today and tomorrow. We seek to:

Provide quality soldiers and strong families.
Field a flexible, modernized force to fight across the spectrum of conflict.
Develop high technology and productivity enhancements.
Exploit operational and tactical dimensions of AirLand battle doctrine.
Fight and sustain as part of Joint and Combined Forces.
Improve tactical and strategic deployability.

Readiness is a primary aim as we seek to achieve these objectives. Over the pass several years, with your help, we have improved our readiness by recruiting and retaining quality soldiers, enhancing soldier and civilian skills and motivation and modernizing the force with equipment of much greater capability.

Maximum readiness depends on a reasoned balance among the investment, personnel, and operation and maintenance appropriations. At the same time, we must be mindful in a time of strong measures to control deficits to conserve our resources through improved operations and productivity enhancements. We seek to do just that in the FY 1987 OMA Budget Request.

FY 1987 BUDGET REQUEST

The formulation of the FY 1987 budget began five years ago in the programming process to build the Five Year Defense Plan. The FY 1987 request of $21.3 billion builds upon the results of the resources previously provided by Congress and continues the personnel and modernization initiatives of the past four years. When the OMA budgets from FY 1984 to FY 1987 are compared, it can be seen that the real growth has been reduced from 4 percent to ½ percent.

The following chart provides you a more detailed look at how we arrived at the ½ percent real growth:*

This only slightly positive growth required the Army leadership to make some difficult decisions on the allocation of these scarce resources in an Army with still growing modernized equipment inventories and still more improvements needed in family programs and all facilities. This listing of the OMA budget, by budget category, shows the resulting allocation:

A quick look at the budget categories shows continued support of communications and automation, training, recruiting and examining, base operations and real property maintenance. The decrease in general purpose forces reflects the impact of a redistribution from the FY 1986 Foreign Currency Fluctuation Account. This reduction will not result in a degradation of unit training. The Army remains committed to maintaining our high level of readiness.

In executing the OMA budget we finance several categories of expense including contracts, personnel, supplies, and other costs. The FY 1987 Expense Distribution is shown in the chart.

The largest expense, contracting, at 36% of the total, includes a variety of functions provided by the private sector including studies and analysis, equipment and facility maintenance and Commerical Activities.

The direct pay and benefits for 277 thousand civilian employees requires 31% of the total while the Army Industrial Fund (AIF) portion of 8%, represents the compensation and benefits paid to civilian personnel working in AIF facilities.

The remaining 25% supports the vast array of supplies, equipment, transportation, communication, utilities, and travel, necessary for daily operations.

OUTPUT OF THE FY 1987 OMA BUDGET REQUEST

Force structure

The Army Force Structure of special operations forces and light divisions for rapid deployment worldwide and heavy forces for sustained combat are essential for a credible conventional deterrent. Also essential are the support forces of military and civilian personnel which provide the vast quantities of support needed to equip, train, facilitate, mobilize, deploy and and sustain the fighting force. OMA funds make the Army Force Structure viable. Without enough OMA, the Army falters.

People

Soldiers, civilians and their families are the strongest and most important part of our Army. We must continuously provide the kind of living and working environment which will encourage the best qualified and motivated personnel to enter and remain as active participants in the Army Family and to make Army service their career.

Recruiting and examining

Army recruiting is a real "success story" which must be strongly pursued, or else we will start to see a fall-off in the quality of the soldier so critical to the Army. Dedicated, skilled recruiters backed up by sophisticated modern advertising are now keeping our force at its full strength with high quality recruits.

The OMA request for recruiting and examining is $293 million, a program growth increase of $19 million over FY 1986. With a declining pool of potential accessions, the Army must have incentives that attract, distribute and align quality young people to form the core of enlisted personnel from which our future noncommissioned officers will be drawn.

Civilians

The OMA request provides the direct pay and benefits for 67% of the total civilians in the Army as well as, indirectly, through the Army Industrial Fund (AIF), the salaries of 54 thousand AIF employees through user purchases of goods and services from various AIF activities.

I am happy to report that we continue to be successful at managing our civilians without end strength ceilings. Our current Army goal is to hold civilian end strength relatively constant by capitalizing on productivity enhancing technology, modest increases in overtime, continued contracting, and other management efforts. While the civilian workforce is projected to shown a decline in FY 1987, these efficiency initiatives have allowed us to program growth in civilian substitution, force modernization, light infantry division restructure, security protection, and medical programs. Sustaining a vital career force of civilians is a primary aim of the Army.

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*The illustrations appear in oral statement.

Health care

The Medical Care Program FY 1987 budget of $1.4 billion provides for worldwide medical and dental services to active forces and other eligible beneficiaries, veterinary services, medical examinations performed in Military Enlistment Processing Stations, and other support activities of the direct health care system.

Family programs

Army Family Programs are critical to the morale of our forces and are among our top priorities. With your help, we have made great strides towards providing a solid quality of life for our people and their families. Substantial resources have been invested in quality of life and family programs. The FY 1987 resources will continue to improve living and working conditions and will meet a diverse set of needs, ranging from family housing to child development to upgrade of maintenance and repair shops to soldier and family services.

The Family Action Program is a keystone to the Army Quality of Life Program, and these examples illustrate the OMA content of the program.

Training

Training of the soldiers and civilians in the Army is vital to successful operations and support across the full spectrum of conflict, as well as the proper care and operation of the Army's equipment in peacetime.

Institutional training

The OMA budget includes funding for the operation of seven Army Training Centers, 30 Army schools and colleges and six DoD and joint service schools and colleges. These schools and colleges concentrate on providing soldiers, noncommissioned officers, officers and civilians with essential individual skills.

The OMA budget request contains $1.2 billion for institutional training. Training program growth from FY 1986 to FY 1987 of $50 million, or approximately 4%, provides for increased hands-on and field training, and development and distribution of instructional materials and training technology.

Unit training

Training in units builds and maintains individual skills while welding the organization into a top notch fighting unit. OMA provides among other things, the fuel, repair parts and transportation costs necessary for unit operations.

With this budget, we are able to maintain an essential level of training and operating tempos (e.g. 850 miles per year per tank or fighting vehicle). Improvements made through increased flying hours (17 hours per crew per month), range modernization, and National Training Center rotations (28 battalions per year) will enhance the Army's readiness.

Fielding equipment

The OMA Force Modernization Program provides the one-time resources for the fielding of major new or modernized equipment procured in FY 1985 and entering the Army inventory in FY 1987. These fielding costs include:

Initial provisioning of repair parts and supplies.
Operator training, training materials, publications and transition training.
Transportation to fielding destination and deprocessing.
Site Activation.

The FY 1987 OMA contains a total funding of $503 million for intensively managed systems. The Army has implemented several management initiatives to improve forecasting of operating and support costs. These include utilizing computer models combined with better understood data bases and standardized accounting systems reports.

The OMA appropriation is central to the force modernization program which is even now only one third to one half complete depending on the weapon system in question. We must see the program through to avoid fielding delays and stretchouts due to lack of OMA resources, which would only serve to slow restoring America's deterrent strength.

Sustaining

To remain ready, the Army must maintain and sustain forces, facilities and equipment at acceptable levels.

Depot Maintenance Program

The FY 1987 budget is tailored to assure the Army a balanced depot maintenance program which continues to provide responsive support for units in the field though fiscally constrained in the maintenance support activities arena. The material maintenance program (overhaul, modifications, conversions) is financed except for $93 million which represents only a 5% backlog. Component repair and new systems are fully funded to maintain unit readiness.

Installation operations

Installation operations encompass a myriad of activities and functions at the 95 major installations in the United States, 44 major military communities in Europe, 52 installations and activities in the Pacific, and the Panama Defense Complex. Army installations are better managed this year through the Army's initiatives to move to a Standard Installation Organization (SIO). Functional areas standardized include personnel, supply and maintenance, engineer, information management and contracting services to units and tenants on each installation.

Real property maintenance activities

The FY 1987 request for Real Property Maintenance Activities (RPMA) is $3.4 billion. The program growth in FY 1987 is $129 million. Each major installation or community is similar to a small city with many buildings and other structures, utilities and drainage systems, airfields and roads, plus training areas and ranges not found in the civilian community.

Decent, well-maintained facilities and adequate services, in short, a well-run community with adequate living and working facilities, will result in a better satisfied military and civilian workforce. This contributes to a higher level of retention of skilled personnel, and to readiness itself.

Backlog of maintenance and repair (BMAR)

The projected BMAR reduction, in real terms, for FY 1987 is $157 million after normalizing for currency fluctuation. The Army operates and maintains an aging physical plant with extensive holdings worldwide. There are over 300,000 buildings and facilities in the inventory with an average age of 37 years. Over time, BMAR projects get more costly to accomplish because neglected facilities breed accelerated deterioration and inflation adds to the estimated cost.

Major areas expected to benefit from the BMAR reduction are utility systems ($45 million on a $205 million backlog); unaccompanied personnel housing ($34 million on a $205 million backlog); community facilities ($35 million on a $145 million backlog); and maintenance and production facilities ($12 million on $111 million backlog).

Information management

As you know, last year the Army brought together the communication; automation and other elements, so vital to information management, into one mission area. The merger of these once separately managed functions promises a greater return on the Army's investment in the area of information, both in the tactical and installation areas.

To accomplish this, there has been some modifications in how information management is reflected in the budget and managed in the Army. We have charged the Information Systems Command (ISC) with the task of operating the entire system for all functional areas, in all parts of the Army. Funding is provided direct to ISC for communications and large computer operations. For those automation services on installations, a chargeback system is being designed for implementation in one or two years. In the meantime, a reimbursable arrangement has been set up between Major Army Commands (MACOMS) and ISC.

IMPACT OF GRAMM-RUDMAN-HOLLINGS REDUCTIONS IN FY 1986

Mr. Chairman, while I have focused thus far on the FY 1987 request, I believe that it would be appropriate to summarize the impact of the Gramm-Rudman-Hollings reductions on FY 1986 OMA funding. We have definitely slowed the Army's pace in FY 1986. Our strategy in taking these reductions, which were largely prescribed by the law, was basically to reduce programs across the board, with maximum flexibility being passed down to the commander in the field.

The healthy upward trend of OMA funding over the past few years has clearly been halted. Our FY 1985 and FY 1986 funding is leveled at the same time Army investments are continuing to grow.

To sustain the Army's continuing growth and at the same time be compelled to take cuts, has not been at all easy. There is no doubt that negative impacts will be more visable as we execute the cuts during the year. One billion dollars of programmatic reductions will have a significant impact on the working and living conditions of our soldiers and civilians. These reductions come at a most crucial time, when the Army is seeking to be the best in the world.

CLOSING

In summary, funding an adequate OMA appropriation is critical to all parts of the Army. OMA is life support to the soldier and his family, to the fielding and sustaining of his weapons systems and to the maintenance and sustenance of his installations and logistics base. The amount requested provides the minimum necessary resources to keep the Army ready to fight and win anywhere in the world. In my judgment, our Army is prepared to meet tomorrow's challenges. With your continued support, we will fulfill the important missions entrusted to us.

Mr. HUTTO. Thank you very much, General. I would say you do a pretty good stress test.

It will be a few months before we consult with Doctors Gramm and Rudman and see what they advise. I hope it won't be bypass.

We do have some questions because there was an irregular beat in there somewhere that I want to check out. My assistant here is getting one of the more important ones down for analyzing.

This is the thing particularly I wanted to ask you about. You say that sequestering will increase a depot maintenance backlog to $104 million, or 93 percent. What impact will this have?

General NOAH. Specific impact, we don't have in right now. It will cause, obviously, the backlog to go up in 1986. In 1987, if the budget remains where it is, it would cause 86 percent of the depot maintenance to be funded as it is, because it is sequential as you take it out. You have backlog this year, which we have built into the budget. The budget which we have submitted to you for next year already has a 5-percent backlog built into it. If we increase backlog, it will add to the next year's backlog, which would result in a 1986 unfunded requirement in 1987.

The budget that I have presented you here did not have the Gramm-Rudman taken out of it.

Mr. HUTTO. One thing that concerns us, General, last year, I guess, one of the most important accomplishments of the subcommittee was the elimination of the Army depot maintenance backlog. So why is it projected to rise to $93 million in fiscal 1987, and what impact would this have on Army readiness?

General NOAH. At this stage of the game, sir, I would say that the impact will probably be felt in the conversion of older equipment. As new equipment comes into a unit the older equipment would have to go through depot maintenance.

I have received no objectives or targets from our people out there as far as which elements will be hit in depot maintenance. So I would like to provide the specifics of that, if I could, later on.

Mr. HUTTO. If you would provide that for the record.

General NOAH. Yes, I can do that and show where it is going to hurt us.

Mr. HUTTO. OK.

[The following information was received for the record:]

GR IMPACT ON DEPOT MAINTENANCE BACKLOG

General Noah. At the current funding level, the depot maintenance backlog of $93 million in fiscal year 1987 consists of:

$8.6 million—Reduction in the modification conversion effort for the M113A1 family of vehicles.

$28.5 million—Repair and overhaul of aircraft systems.

$26.1 million—Repair and overhaul of combat systems.

$7.3 million—Repair and overhaul of missile components.

$22.9 million—Primarily repair and overhaul of communications-electronics equipment.

The fiscal year 1986 Gramm-Rudman decrement would create an additional $104 million unfinanced requirement which would be carried forward into fiscal year 1987. Systems affected by this cut would be in the aircraft, combat vehicle, missile, and communications-electronics commodity groups. Repair and overhaul efforts for the AH-1, AH-64, UH-60, CH-47 aircraft; the M60A1/A3 tank, Armored Vehicle Launcher Bridge, and M113 family of vehicles; HAWK missile components; and various communications-electronics systems would be reduced.

Mr. Hutto. Since fiscal year 1981, we have seen greater real growth in the investment accounts than in O&M. One of the reasons given for this phenomenon was that the equipment would not be fielded for several years and the support tail would be slow in developing.

Now we find ourselves in a tight budget squeeze dictated by outlay reductions and O&M is being asked to be a big contributor to deficit reduction because it is an outlay rich account.

How is the Army going to be able to field and support new equipment that is in the pipeline if we have to squeeze the support tail?

General Noah. First, our manning level is constant in the Army. So, basically, as you well know, we have the investment accounts buying equipment in 1985, which will be arriving here for the 1987 budget. For next year in 1988 it will be whatever we are buying in 1986 after the Gramm-Rudman sequestration.

Our current plan is to keep the priority high on force modernization and provide the fielding parts for the new systems as they are issued to units. And if there is a decrease in the amount of money required, that decrease would be taken out of either the sustaining elements, as we move into a lower OPTEMPO, or by taking into account various other things that we might do to keep readiness up, such as innovative training. There are ways to work on the margin. We can probably get some more productivity out of our training apparatus through innovative use by our commanders of training on post, close at hand, rather than going off post, although it may be a greater advantage elsewhere. This year, for instance, with the 1986 sequestration, one of the things we have done is cut down on the environmental training that our troops will have in Panama and Alaska and that sort of thing. We will take a fair amount of the OMA money out of environmental training to keep the modernization accounts up.

The other, which we just talked about, is that which would be used for reducing the backlog of depot maintenance and in the RPMA and BMAR arena. Obviously, we will look at those accounts but not have that go too far.

Barring that, you pretty much have to either give up on some of your sustaining objectives, putting things into war reserve, or whatever have you, in the OMA context. Or you have to increase backlogs. Right at this stage of the game with the force structure where it is, we have not chosen to do that in the current budget context.

So I think we will be able to continue to maintain, but we will hurt in other programs other than force modernization.

Mr. HUTTO. General Williams, did you have something to add to that?

General WILLIAMS. Just to build a bit, Mr. Chairman. We have made great strides in our budget estimating for this very important requirement and feel that we have adequately covered these tails in the outyears.

As General Noah has pointed out, it will be a function of tradeoffs. And as we see it at this point, it will point back to our deferrable accounts. But we do have a much better estimating system, so we think we have a good handle on what the O&M tail will be.

Mr. HUTTO. OK.

General Noah, for the past several years, the Army has been consistently successful in meeting its recruiting and retention goals. I am sure that Mr. Montgomery would say that is because of the new GI bill. And, in fact, I think the Secretary of the Navy agrees with that, because he told us the other day they are going to copy what you have done with the GI bill.

General Wickham just told the subcommittee that today's soldiers are the finest that he has ever seen.

With this background of success, when can we expect to see the recruiting and advertising budget request level out?

General NOAH. I am going to ask my colleague to answer that, sir.

Mr. HUTTO. General Williams.

General WILLIAMS. Mr. Chairman, I think we can safely say that we cannot see a budget that would not show some minor growth for recruiting because we are in a very tough environment. As you know, the Army has the largest share of the DOD accessions. The recruiting requirements for the Army continues in an all-voluntary environment to be very tough, indeed.

Our Chief of Staff was absolutely correct when he said that the quality is up, and we all applaud that. However, it is up because we have put the right amount of dollars in to get the right type of recruit.

The $19 million, Mr. Chairman, that we have in the budget this year, is really to fill the void of the reduction we received in fiscal year 1986.

Mr. HUTTO. You mean in advertising?

General WILLIAMS. Yes, sir.

This is principally recruiting support. We have, of course, our recruiting headquarters, which has five regions throughout the country, 56 recruiting districts, over 2,000 stations, and 12,000 recruiters, out there touching our young population.

So that is what the $19 million is principally for. Only a very small amount of $2 or $3 million is for advertising.

Mr. HUTTO. The radio and TV stations used to be pretty good about giving public service announcements to the Army, Navy, Air Force, and so on. I guess that Super Bowl time is a little too precious to them now—they probably wouldn't consider that. But I am wondering if they wouldn't want to participate in balancing the budget a little bit.

We could take some of the advertising revenues and put it somewhere else for our soldiers—that would be a big help. Do you want to contact them on that, Mr. Kasich?

Mr. KASICH. Mr. Chairman, why don't we write them a letter and ask them their view on that?

Mr. HUTTO. OK.

Mr. KASICH. I think that is really a very interesting thought. What is the big deal of them giving us a couple—they do it with drunk driving now because they want to protect their liquor revenues. Maybe we should write them a letter.

General WILLIAMS. Mr. Chairman, I should also add that while the advertising piece of the recruiting effort is illuminated, we should keep in mind that it is more than just recruiting our soldiers. We also fund our officer acquisition, ROTC recruiting, and our chaplaincy as well. So it is across the board for the Army, not just for the recruiting of soldiers. So it is a worthwhile spent dollar, and it is paying good dividends for us.

Mr. HUTTO. General Noah, one of the inevitable consequences of the contracting out program is the displacement of Army civilian employees. Most are transferred to new jobs, or accept employment with the incoming contractor. But others face the prospect of unemployment, or major relocation.

What is the Army doing to improve its ability to assist those affected by contract conversions, and what still needs to be done in this area?

General NOAH. Mr. Chairman, the first thing that we have done is increase our emphasis on the normal things that we can do in the civilian placement program. There are certain rights, as you well know, accorded to the civilian government worker. There are jobs, where we have temporary employees in now, which we might want to make permanent, by moving him into another job. We could retrain them for a projected vacancies, or we can put them in the DOD Priority Placement Program, which, of course, may require a move every once in a while. Those are not new programs.

The Army is, frankly, taking a new look at this. The commercial activities program is put together to provide an impetus in a larger program of productivity which we are calling efficiency reviews. We have quite a number of these going on now, for those commercial activities or where a commercial firm can do the activity. Typically, these reviews, we would hope, yield us productivity gains of 10 to 15 percent. As organizations, we take a look at them, and put newer equipment in them. This is part of the review, and so forth, where we would like those organizations of Government employees to be able to actually compete, if you will, when the commercial firm comes along in answer to our request for proposal.

In that process, I would hope that, although the statistics for fiscal year 1985 do not bear me out, we would see more and more Government winning in-house again.

But for those people who are displaced when a contractor wins an award of a contract, we have a program, really in embryo stage, as you may know Mr. Nichols, where we are taking a look right now at how we might go about that. At Redstone, we have a number of pilot programs going on. In fact, my people are leaving in about two weeks to go down there and see what is going on there, concerning the civilian unemployment problem you would have there.

I don't have any answers beyond that now. It is something, frankly, that we are looking at quite intensely in the personnel business under the Secretary.

We are looking for a solution. We haven't found it yet.

Mr. HUTTO. I am delighted to know that you are looking closely at that. I am concerned about this, and I know that Congressman Nichols is. In our authorization conference, he and I went head-to-head with Senator Gramm, and I can tell you that Senator Gramm wants to contract out everything. I have a lot of reservations about that. For one thing, I have never seen any follow-on statistics that we actually save money. You know, we say that we are going to save that when we contract it out. Well, maybe for that fiscal year you are, and then the next year the thing is jacked up, and before you know it we are paying out a lot more.

I agree that there are some functions that could best be done by being contracted out. But I am concerned that we are losing our base. And if we had a wartime situation, I think that we might be in trouble. So I think it is a real concern.

I agree with you, I hope that we can keep more of it in-house because we have some of the most dedicated people I know that have spent many, many years working with the Department of Defense in our military installations.

General NOAH. It is Army policy, to keep it in-house if we can. Sometimes that policy seems to get confused when you hear people talk about contracting. I think if we do it right we can do that. That doesn't mean just going down and patting somebody on the back. It means we are going to have to put in some investments, and facilities, or equipment, which enter into the economic consideration of how we are going to do work.

Mr. HUTTO. Mr. Kasich.

Mr. KASICH. Thank you, Mr. Chairman.

General, I am interested—back to the chairman's earlier questions about sequestration and Gramm-Rudman. The spendout rate: What is the average spendout rate that we have in this particular account?

General NOAH. Seventy-six percent in the first year is our outlay rate, 76 percent of TOA.

Mr. KASICH. So we are about, what, 1½ to 1, 2 to 1? How is it generally working out? How many dollars in authority are you translating into——

General NOAH. Seventy-six percent we spent the first year. That is true last year and this year.

Mr. KASICH. Let me ask you this question—because everybody, obviously, is trying to think this through, including everybody in the Pentagon. In your view, is an account that has a spendout fast percentage hurt more or less than an account that has a slow spendout pattern, in your view, under sequestration?

General NOAH. I am not seeking to avoid the question but I say you almost have to look at those accounts in juxtaposition, because if you took a fixed percentage rate across the board, which Gramm-

Rudman requires, applied down to the line item, there are some elements which start to get out of balance because you don't reduce all parts of the organization or the process, or whatever have you, by exact percentages.

With investment accounts you are taking away from the future. You are taking TOA away from the future. You are not affecting what happens that particular year except perhaps you may be increasing a contract.

In the OMA account, which we are here defending, you basically just cut right into that year's capability to do maintenance, or to run a post, or to buy repair parts for investment equipment coming on line. If you go into your personnel accounts, you may find that you have somewhat of a match there. We have not gone into that before. But it depends on what the size of the body is that you are cutting.

The outlay is the trigger in which you go into Gramm-Rudman on.

General WILLIAMS. Mr. Kasich, let me add a word or two.

Mr. KASICH. Sure.

General WILLIAMS. In the near term you hurt the account or the appropriation with the high spendout rate such as O&M, and you have less budget authority to take out as compared to one of the investment accounts.

If the strategy then is to use the investment accounts, then you take out more budget authority, and the hurt is somewhat delayed. But the quickest way, obviously, to garner dollars, would be from those appropriations with the high spendout rate, and O&M, like the military personnel account, would be in that category.

Mr. KASICH. Mr. Chairman, and Generals, I can't figure out whether we do more damage if we sequester more authority for the future, or if we just grab it today. I don't know which is more onerous. I don't know whether affecting something 10 years out is more trouble than just taking it out today. I am not certain about that.

Let me ask you: Do you think, General, that if we were to come back and look at this Gramm-Rudman again—and as you know now with the court decisions and everything, we don't really know where we are going to go. Is it your view that it would be better to have more flexibility within the military to let the military decide how to come up with the savings, or do you think that that would be a damaging thing to programs like readiness where there would be probably a greater tendency to just yank as much one for one as you could possibly get, it would seem to me?

Do you think we ought to have greater flexibility within Gramm-Rudman, within particular categories, making them broader than they are at the current time, or would you be satisfied with the way that it currently is?

General NOAH. Without a doubt, sir, I would say we would like more flexibility than is in the law right now.

Mr. KASICH. Do you anticipate any recommendation from the Pentagon that will come up here where you will be saying that we think there ought to be greater flexibility in terms of these categories?

General NOAH. I don't see any right now that are officially coming up, because Gramm-Rudman applies to the entire Government. This year, as I mentioned, even though we cut 4.9 percent across the board, we went into those things called budget lines, and within there you had flexibility, and you got flexibility down at the post, camp, and station. It is flexibility, I think, that both the member, if it is in your district, and we, could appreciate. I feel that.

On the other hand, Gramm-Rudman as is written, could be pretty disasterous in a balance sense which is what I was talking to earlier.

General **Williams**. The O&M appropriation is particularly sensitive to flexibility. If we had to take a line-by-line cut in the O&M appropriation, you would be talking about taking slices of things out of an everyday appropriation, and you could end up with a broken Army. By the fact that we had flexibility this time, we were able to protect the very soft areas.

Mr. **Kasich**. Which areas were those, General? Give us a couple of examples.

General **Williams**. What we attempted to do was to protect those programs which were tied to the military personnel apparatus in our Army. Since we were not permeating the military personnel side of the Army, then we had to protect those items that were tied to those programs.

Then our second level of strategy was to try to retain as much of the readiness thrust that we had.

So by having the flexibility to shift into some of our deferrable accounts, we were able to do that.

Mr. **Kasich**. Maybe a little more maintenance.

General **Williams**. That is correct. Having the backlog grow and the facility maintenance to grow.

Mr. **Kasich**. You used the term budget lines. That is different than what we are going to be doing with Gramm-Rudman in fiscal 1987; is that correct?

I think this is really an important point. I would like to, General, maybe before you get into budget lines—do you think that the Pentagon budget, because of the unique investment nature of it, have a unique spend-out rate that is dramatically different than other agencies, departments, and bureaus of the Federal Government.

When I think, for example, of HHS, I think one for one. When I think of HUD, I think more one for one, except in their investment projects when they are going to build a senior citizen complex or something. When I think of a lot of the spending in Agriculture, I think of one for one.

I just wonder whether the Defense Department is unique in the way in which it spends its money. I don't mean what we read about in the paper. I mean the actual mechanics of how they spend their money. If it, in fact, differs from other areas. Because you are right. If you are going to make this thing work, it is going to be affected by everything in the Federal Government—everything is across the board, everything is the same. But I wonder whether we have any particular uniqueness.

Would you comment on that, General Noah?

General **Noah**. With respect to paying civilians, I would say there is probably no uniqueness.

Mr. **Kasich**. Right.

General NOAH. With respect to paying soldiers there would be uniqueness in that. With respect to Defense equipment, let's say a tank, I would say that is probably unique, because I am not sure any other element of government would buy that.

With respect to building a building, we probably are no different than any other element.

So it has to do with respect to the function that you have. I am not that aware of other elements spendout rates. But probably a comparison of that might be useful. I would imagine it had already been done in some elements. I have not seen it. I am only aware of what we do in the Army versus the Navy, versus the Air Force which, depending on whether you are building a ship or a tank, results in a different spendout rate. It is an interesting thing in and of itself.

But, basically, the key to Gramm-Rudman, as you well recognize, is through the outlay, the spendout rate, and that can have quite a profound effect on you depending on where you take it in the budget.

I might mention that this has been looked at quite seriously by a number of people in the Department. And other than for exempting military personnel, except for some accounts, they decided to go essentially at a fixed rate.

For instance, P-2, Program 2, was one PPA.

Mr. KASICH. Yes, sir.

General NOAH. And your new word PPA, P-2 was one. So we had a choice of where to take it there. P-3 was one. P-7 was one. P-8 was an interesting one because you will notice, that supports your personnel accounts. And with personnel not going down this year, there was a problem as to where you would take it.

So you start to get into the mechanics of how you take this out without stopping a program.

Mr. KASICH. We have some broader aggregates—categories than there are in some of the other areas of the budget.

General NOAH. Oh, absolutely.

Mr. KASICH. So we are more fortunate in O&M than——

General NOAH. Absolutely.

General WILLIAMS. That is correct.

General NOAH. In MCA, I would mention we have, I think, 49 percent of the projects had to be stopped and started over because they were line items that wouldn't fit anymore. So they had to stop, and you get that tremendous amount of delay. So you will start seeing that throughout the government on construction projects, probably.

Mr. HUTTO. But on that, though, General, the bidding climate has been so good in recent years.

General NOAH. Yes.

Mr. HUTTO. A lot of these projects probably could go forward without any downscoping.

General NOAH. I would say 49 to 51 percent of them did. They all got hit. You are exactly right, sir. So we are at a 50-50 there. But that is the sort of thing that you hit.

Now, in a large Defense contract you may have more room for a slowdown, or whatever have you, which, of course, causes the price of the item to go up.

Mr. HUTTO. Do you have another question, Mr. Kasich?

Mr. KASICH. Just one or two more, Mr. Chairman.

There has been an allegation by some Members that we have done a poor job in terms of improving readiness. You read the Grassley articles, and there were some things that were said over in the House by some Members.

Have you ever had an opportunity to take a look at that? And if you have, do you have any real comment about what they were talking about, and what your feeling is about their numbers?

General NOAH. No, I can't. I am not familiar with the exact numbers that you talk about in the Grassley article right now. I could get back to you on that.

Mr. KASICH. I would like to have that because I think that we were done a disservice in that whole area.

General NOAH. Fine, I will do that.

[The following information was received for the record:]

GRASSLEY ARTICLE REVIEW

The Army takes exception with Senator Grassley's article as to his basic premise that although Operation and Maintenance funding has increased, readiness has decreased. He cited specific examples of reduced OPTEMPO as indicators of reduced readiness. While it is true we have reduced Ground OPTEMPO some, we have done this for a number of reasons. The reduction was based on our investment in simulations, budget constraints, refinements of modeling techniques and other changes, however, not directly nor indirectly has it resulted in decreased readiness of any significant magnitude.

Readiness for the Army, expressed as our ability to carry out national military objectives, is at a very high level. This high level of readiness is a function of overall program balance that recognizes the interrelationship among various functional programs. We have made great strides in Depot Maintenance backlog reductions, recruiting and retention, family programs, BMAR accomplishment, and other major programs that provide direct or indirect contributions to Army readiness. The benefits derived are all the result of increased O&M funding provided to us.

General WILLIAMS. I will just suggest that the Deputy Chief of Staff for Operations will be over in a couple of weeks, to speak specifically to the notion of readiness in the Army.

Mr. KASICH. Mr. Chairman, one final area, and that involves the issue of unobligated funds that we hear so much about. In my own mind, when somebody tells me that funds are unobligated, that means to me that they are not committed to any project.

But last week when we had Secretary Lehman testify, I asked him about unobligated moneys, and his response was, well, they are committed to these different areas.

Now, I thought that unobligated meant that the money isn't obligated to anything. That is why the word is unobligated.

How much unobligated money did we have in fiscal year 1985? What did we do with our unobligated money, and how much unobligated funds remain today? And what flexibility do those give us?

General NOAH. In OMA?

Mr. KASICH. Yes.

General NOAH. General Williams will answer.

General WILLIAMS. Of the total DOD unobligated balance of $6.3 million OMA received $207 million. That was our share of the unobligated balances. First of all, we do not have that money yet. It is still at OSD, Office of Secretary of Defense. We intend to spend that money to enhance readiness. Specifically, we intend to hit four major areas of readiness. We would like to do some National Training Center enhancements, that is, making the targetry and all of that better, staying with the state of the art.

No. 2, we will try to improve our communication readiness; continue to upgrade that part. Our medical readiness as well. And also, to put some money into some collective programs and base operation support.

Mr. HUTTO. OK. We are going to present some questions to you and ask you to respond for the record.

Mr. Kasich, was that your last question?

Mr. KASICH. Yes, thank you, Mr. Chairman.

Mr. HUTTO. I think Mr. Eastman does have one related to that that he would like to ask.

Mr. EASTMAN. General, for discussion's sake, let's say that in fiscal year 1987 we have to make a Gramm-Rudman magnitude kind of a cut in the Defense budget. I think if you have seen some of the figures that the various economists have forecast about the size of the deficit based on current economic factors, the share that would come down to the Defense Department is around $30 billion in outlays. And if the Congress decided to use a 2 for 1 BA to outlay ratio, that would result in a $60 billion BA reduction.

In any event, that share of that that would go to O&M is pretty significant. At what point would you have to start looking at force structure reduction to absorb that kind of a cut in O&M? You can only squeeze so much out of efficiency and pretty soon one would imagine that you would have to look at force structure.

Where do you see that coming? Could you take a 5-percent reduction, or a 10-percent reduction? How much could you take before you would have to look at force structure?

General NOAH. We are obviously taking a 5-percent reduction this year without affecting force structure. So I think in the neighborhood of 5 percent is not a problem.

Mr. EASTMAN. Could you do 5 percent again next year?

General NOAH. In my view, you have to look carefully at that because of the problem we have with the depot maintenance backlog, which you can only defer so long in the O&M business. I am not sure that it would be wise. A 5 percent next year, a further deferral of maintenance, we wouldn't want to do that.

But under the Gramm-Rudman rules, unless those were substantially changed, we would probably be hit in the personnel accounts and that means to the Army, force structure. So you would see a normal force structure cut coming along.

Then you ask: What does force structure mean? Force structure means fewer people on the same number of installations unless you were to close an installation. I guess you could board up a building. But you don't gain that much. In the short term, over a period of a year, you don't gain that much out of cutting, say, force structure.

So your O&M is probably going to be in harm's way if you cut much more than, in my view, 5 or 10 percent out of it. You are going to have to stop doing things today that you want to do. You are going to have to fire people, maybe, and move ahead that way.

We have 410,000 to 420,000 strength in the civilian work force in the Army. Early in the stage of the game in December, we were saying that would probably mean about 13,000 fewer civilians. I didn't say RIF them or anything like that, but 13,000 fewer civilians that we would have wanted during the year will not be there. That sort of effect would be felt along with your force structure, which would be soldiers.

So I would say 5 percent this year, we are going to feel it. Above 5 percent next year, we would feel it definitely. And 10 percent, we would start to have to shut down some things substantially.

Mr. **Eastman**. Thank you, Mr. Chairman.

Mr. **Hutto**. Thank you. We will present some questions to you if you will provide the answers to us for the record.

[Mr. Daniel submitted the following questions to the witness to be answered for the record:]

ARMY FLYING HOUR PROGRAM

Mr. **Daniel**. What is the Army Flying Hour Program for Fiscal Year 1987 in terms of hours, O&M funding and crew hours per month. How well does this program fulfill Army training requirements?

General **Noah**. The Fiscal Year 1987 Flying Hour Program (FHP) is 1,987,690 hours of which 1,933,134 are O&M hours. This will provide 18 hours per crew per month Operational Tempo (OPTEMPO). This is part of a gradual ramp toward the Army requirement of 20 hours per crew per month. The O&M funding for the Fiscal Year 1987 FHP is $351.3 million.

Mr. **Daniel**. Over the past two years, how well has the Army executed its flying hour program compared to budget justification projections? Have there been any significant deviations and why have they taken place? How much confidence do you have that such deviations will not occur in the course of FY 87 execution?

General **Noah**. Flying Hour execution for the past two years is as follows:

Fiscal year	Projected hours	Executed hours	Percent
1984 begin	1,638,020	1,567,003	95.6
1984 adjusted	1,682,757	1,567,003	93.0
1985 (begin)	1,795,723	1,551,460	86.4
1985 adjusted	1,603,294	1,551,460	96.8

The FY 84 Flying Hour Program (FHP) was partially underexecuted because the additional hours added to the program came too late to be executed properly. The FY 85 FHP was underexecuted for the following reasons:

The extended grounding of the UH-60 and CH-47.

Late fielding of aircraft—RC-12 and AH-64.

Aircraft maintenance personnel shortage.

Weather.

Poor execution by some MACOMs of their FHP.

While we have every confidence that the FY 87 FHP can be executed, we are not in a position to predict extended groundings, late fieldings, and poor weather. Our projections are based on a reasonable assumption that we may have some temporary groundings and some poor weather. One must remember that changes in aircraft distribution and fielding, which Congress has a direct effect on, can cause considerable problem with execution of an FHP that was projected earlier.

We have implemented management techniques that will cause the MACOMs to execute their FHP. If a MACOM does not execute within 3% of its quarterly projection, then hours and money will be moved to another MACOM that is executing its program.

ECONOMIC ASSUMPTIONS

Mr. **Daniel**. Over the past five Fiscal Years, over three quarters of the net authorization reductions in O&M have come as a result of changes in the economic assumptions relating to inflation indices, stock fund and fuel prices, foreign currency rates, and industrial fund profits. What economic assumptions did you use in preparing the Army's Fiscal Year 1987 O&M request and did you think that additional reductions can be made in this area this year?

General **Noah**. Economic assumptions for the Fiscal Year 87 budget are based on three primary areas:

Inflation indices. Standardized by DoD and conform to OMB's best estimates in January when the budget Total Obligation Authority was finalized. Individual rates are used for various types of purchases and vary from the standard 4% to 7.5% for GSA leases. There is no budgeted increase for pay raises for U.S. civilians, but foreign national employees overseas do receive raises averaging 6% in accordance with State Department agreements.

Revolving fund prices (Stock Fund and Industrial Fund). These rates vary from a −7.4% for fuel, −20.5% for Military Sealift Command Cargo, to a 5.2% increase for Army Stock Fund purchases. Wide variances in these rates are caused principally by the cash positions and projections of the individual funds. For example, reduced oil prices, announced after the budget submission, may create some excess cash in the Fuel fund which could be used for reductions.

Foreign currency rates. Dramatic changes in world-wide currency rates have resulted in rates of 3.22 Deutsche mark in Fiscal Year 85 and 2.46 Deutsche mark in Fiscal Year 86 and Fiscal Year 87. As a result, the Fiscal Year 86 and Fiscal Year 87 budgeted Total Obligation Authority contains an added $488 million that is necessary to buy the comparable Fiscal Year 85 level of purchases.

The following trail indicates the changes between the Fiscal Year 86 and Fiscal Year 87 Total Obligation Authority:

Fiscal Year 86, $20,211; Price Growth, 1,036 (5.14%); Program Growth, 95 (.5%). Fiscal Year 87, $21,342.

The $1,036 million of price growth includes $586 million of normal inflation indices price growth and $450 million caused by Congressional directed refunds in Fiscal Year 86 that must be budgeted for in Fiscal Year 87.

UNIT TRAINING/OPERATIONS

Mr. **Daniel**. What unit traning/operations will be improved with increased funidng in Fiscal Year 1987?

General **Noah**. Fiscal Year 1987 funding for unit training/operations increases by $60 million. The additional resources enhance the flying hour program and increases training for selected intelligence units. Of the total increase, $47 million is required to support training at the Fiscal Year 1986 level with additional modernized equipment which provides a quantum increase in operational capabilities. Another $10 million supports an approximate 15% increase in flying hours per crew per month—from approximately 16 hours in Fiscal Year 1986 to 18 hours in Fiscal Year 1987. This increase brings the hours per month closer to the required level of 20 hours per crew per month. Finally, $3 million is allocated to support more realistic intelligence operational training. This training is accomplished by intercepting potential enemy tactical communications during their frequent field training exercises and piping these intercepts to our Signal Intelligence soldiers in their home stations. These signals are then processed, analyzed, and reported in exactly the same manner as would be done in wartime. As a result, intelligence personnel receive realistic training and, simultaneously, the intelligence data base of supported combat units is updated. In summary, training dollars increase but only at a level which maintains the current training Operational Tempo with additional modernized equipment and partially satisfies the flying hours requirements mandated by mission demands.

CARE OF SUPPLIES IN STORAGE [COSIS]

Mr. **Daniel**. Since the creation of this subcommittee, we have been concerned about the Care of Supplies in Storage (COSIS) and the serious backlog in that area. Will the increase in the Fiscal Year 1987 request for COSIS reduce the backlog to normal or manageable level?

General **Noah**. The FY 1987 increase of $10.882 million will provide for the preservation and repackaging of 60,785 short tons of equipment, ammunition and other supplies. This will allow the backlog for COSIS to be reduced to 69,550 short tons which is very near the manageable backlog of 65,000 short tons.

CONTRACTING OUT

Mr. **Daniel**. How many and what types of military spaces are earmarked for replacement as a result of ongoing A-76 contracting out studies?

General Noah. 950 military personnel are earmarked for replacement with either government civilian or contractor personnel at the end of cost studies.

These cost studies are ongoing now in the following areas: administrative and installation support, audio visual, food service, data processing, recreational services, ambulance services, training and library support, and literature production.

Mr. Daniel. For several years, the Army has strongly supported the selective use of umbrella contracts in A-76 contracting out reviews. As you are aware, this policy has been a matter of some concern to the small business community who would prefer smaller solicitations. Could you tell the subcommittee the Army's rationale for this policy and how it seeks to address small business concerns?

General Noah. The Army's objective in the Commerical Activities program is to increase efficiency of operations, obtaining services in the most economical manner. We have found that the umbrella studies, because they evaluate a wider scope of operations, produce greater economies than do single function studies. In addition, should the cost study result in a contract decision, an umbrella contract offers less risk to mission accomplishment, the best management control, and improved responsiveness to changing workloads.

The Army uses umbrella packages where there are interdependent functions. Many cost studies do not have such interdependence; the solicitations for these studies are routinely restricted to small business. In the last five years roughly 50 percent of our Commercial Activities solicitations were restricted to small business.

In addition, where the Army has used unrestricted solicitations, small business subcontracting is normally included. In accordance with the Federal Procurement Regulations, an award to a large business cannot be made until an acceptable subcontracting plan has been negotiated and incorporated into the resulting contract, setting specific goals for subcontracting to small and small disadvantaged businesses.

REAL PROPERTY MAINTENANCE

Mr. Daniel. This request projects a reduction in the backlog of Maintenance and Repair of Real Property (BMAR) of slightly over $200 million. Can you walk the subcommittee through where this backlog has come from and the categories of repairs over the past four years?

General Noah. At the end of Fical Year 1985, the total OMA backlog of maintenance and repair was $1,148 million. Of the total backlog, $606 million or 53 percent was in Europe, $50 million or 4 percent was in the Pacific, and the balance of $490 million or 43 million was in the United States. Once BMAR is normalized for currency fluctuations overseas, the real "brick and mortar" work will reduce the backlog by $213 million in Fiscal Year 1987. Over the past four years, from Fiscal Year 1981 through 1985, the backlog has been reduced from a peak of $2,288 million to $1,148 million, a reduction of almost 50 percent. Some of the most significant improvements have been in the following facilities categories:

	Million	Percent
Unaccompanied Personnel Housing	—$273	—58
Utilities Systems	—$203	—47
Maintenance & Production Facilities	—$125	—55
Operations & Training Facilities	—$73	—43
Hospital/Medical Facilities	—$23	—41
Supply/Storage Facilities	—$106	—57

REAL PROPERTY MAINTENANCE—GERMANY

Mr. Daniel. Can you tell the subcommittee the percentage of BMAR that is till left in Germany and what it is comprised of?

General Noah. The Army estimates that the backlog will fall to $999.4 million by the end of Fiscal Year 1987. The percentage of this BMAR that will remain in Germany is 55%. The increased percentage from the end of Fiscal Year 1985, i.e. 53%, is a function of repricing the backlog to reflect the weakening of the U.S. dollar in foreign currency markets. This causes a rise in the value of the Europe backlog which does not reflect real work. In fact, the backlog in Europe is expected to decline by $143 million based on the President's Budget request. The facilities categories having the most backlog in Europe are as follows:

	Percent
Unaccompanied Personnel Housing	18.4
Utility Systems	18.7
Maintenance/Production Facilities	12.3
Community Facilities	16.7

CENTRAL IDENTIFICATION LABORATORY

Mr. **Daniel**. In recent months there have been concerns about the operation and techniques used by the Central Identification Laboratory (CIL) which is reponsible for the identification of remains of military personnel, primarily from Southeast Asia. Could you comment on these allegations and does the Army O&M request contain enough funding for the CIL to meet increasing requirements over the next several years?

General **Noah**. Some family members have expressed concern about the ability of the Central Identification Laboratory in Hawaii to identify the remains of their loved ones, especially the remains which were excavated from a 1972 crash site in Pakse, Laos. Based on these concerns and the stated desire of countries in Southeast Asia to resolve the POW/MIA issue within two years, the Army had a panel of prominent Forensic Scientists from the civilian community conduct an internal review of the laboratory and a general officer visit the laboratory to determine what additional assets might be required to perform their projected mission. The panel found through a random examination of records of numerous past identifications, with the exception of the Pakse cases, that identifications over the past three years were well-documented and sound. With respect to the Pakse cases, the panel did not find that any of the Pakse identifications were incorrect, but did conclude that only two could be scientifically confirmed with available records. These reviewers recommended additional space, equipment and manpower for the laboratory. O&M funds for the increasing requirements of the Central Identification Laboratory were programmed for Fiscal Years 1986 and 1987; however, the unprogrammed costs associated with recovery, identification and disposition of the Gander, Newfoundland airplane crash remains are being identified against the same O&M funds. Underwriters for Arrow Airlines have indicated they will pay some Army costs associated with the crash. Final settlement with underwriters of Arrow Airlines may require reprogramming of Army funds.

BASE OPERATIONS

Mr. **Daniel**. We know that Base Operations support makes an important contribution to Army readiness. How does this request attempt to improve the quality of Base Operation support and what initiatives should we be aware of in this regard?

General **Noah**. This request improves the quality of base operating support and contributes to Army readiness in three major ways. First, the continuation of the civilian substitution and commercial activities program converts 1,821 military spaces to either civilian or contract, thus releasing the military to perform other critical duties within the force structure. These type programs have caused the military totals assigned to base operating activities to drop from 37,864 in fiscal year 1980 to 26,348 in fiscal year 1987. Additionally the Combat Field Feeding System eliminates 3,447 cook spaces, during the fiscal year 1986-88 timeframe, which are reapplied elsewhere within the force structure to perform more critical mission requirements.

Second, the implementation of a unit level drug and alcohol testing program will increase testing, allow for a quick return of non-drug users to duty and result in a direct increase to unit morale and combat readiness.

Finally, the continuation of increased support to Army Community Service and Child Development programs enhances the soldier's quality of life thereby increasing readiness and retention.

DRUG AND ALCOHOL TESTING

Mr. **Daniel**. Why do you have a $6.3 million drug and alcohol testing line in the Fiscal year 1987 Base Operations request?

General **Noah**. In an effort to meet the needs of our commanders in the field, the Army has increased testing quotas in our four Forensic Drug Testing Laboratories (FDTL) over the last two years in a gradual and planned manner. There has been regular reevaluation of procedures to head off potential problems. Now all samples are handled with a strict and unbroken chain of custody. In addition, our FDTLs now use the most accurate testing technology, gas liquid chromatography/mass spectrometry, for all confirmation testing. This highly sophisticated technique is the *only* one that is fully supportable in court action. Upgrades are planned that continue this measured growth and provide for necessary modernizations and streamlining of operations. These upgrades are necessary if Army FDTLs are to continue to be certified under the requirements of Department of Defense Directive 1010.1 (Drug Abuse Testing Program). In addition, these upgrades enable us to better meet the needs of our commanders in the field, with the end goal of both ensuring accuracy and reducing turnaround time.

Turnaround times for positive reports from the FDTL's have dropped from a high of 30-60 days to the current level of 21-30 days. This is due, in part, to the better technology, but the use of field prescreening has also had a positive effect in this area. A planned increase in field prescreening, which is funded by the subject Base Operations money, is the only "immediate answer" system available to the commander. A long turnaround time distills the impact of the drug testing program and could easily lead to serious adverse consequences. The majority of samples now go to the FDTL's untested, but a portion are prescreened at the local installation. Only those screened positive need be sent forward to the lab for confirmation. Currently, the funding for this field testing comes out of the local commander's operating budget, which is limited at best.

The DA drug testing plan for the future, approved by the Deputy Chief of Staff for Personnel, includes changes to streamline the procedures and make more effective use of the available funds. In an effort to make better use of the FDTL quotas, which are limited by manpower, money, and technological complexity, DA intends to make broader use of the local installation field prescreeing test. To accomplish this, we must have the funds to purchase the field testing machines and chemicals necessary for operation. Additional funds to pay for the technical training necessary to certify operators and for the required regular proficiency testing are also required. If funds are not sufficient, this valuable program will be unavailable at many installations, thus increasing the demand on the more expensive FDTL system. The funds required to cover the costs of this initiative are found in the current Base Operations request.

The DA plan allows for a badly needed increase in the total number of test quotas available. A minimum of 12,000 civilian employees in critical jobs are now eligible for testing. In addition, the Reserve Components, both Army Reserve and National Guard, have expanded their Alcohol and Drug Abuse Prevention and Control Programs (ADAPCP) and are now testing a minimum of 22,000 aviators at least once per year. Adding these programs has reduced the Army's ability to provide FDTL quotas sufficient to test each active duty soldier and eligible civilian employee once per year. This is an unacceptable situation.

The positive rate for FDTL urinalysis tests has been driven down from a high of over 15% in Fiscal Years 1982/83 to approximately 5% for Fiscal Year 1985. A recent survey of soldiers shows that this is due, in great part, to the deterrent effect of regular drug abuse testing. If quotas drop, this deterrent effect will be reduced and we can expect an increase in drug use. The dollars saved through the use of field prescreening will be used for funding other initiatives in the arena of drug testing. One of these is a special "pulse testing" program that allows DA to test approximately 40,000 samples each year for expanded categories of drugs. Included are the more serious drugs of abuse such as heroin, LSD, PCP, and barbiturates. Such testing will provide the information needed to make decisions about testing program changes.

The total program for drug testing is planned at the lowest possible funding level. Development is time-phased, and interlocked. Any funding cut would start a ripple effect that could lead to a breakdown in one of the interlocked modules. The subject Base Operations funds are key to critical system modifications planned to streamline operations, reduce turnaround times, and increase capacity. With these funds, the Army will be able to provide the program needed to continue to reduce drug use levels among our soldiers and civilian employees.

PRIOR YEAR UNOBLIGATED FUNDS

Mr. Daniel. Of the $6.3 billion in prior year unobligated funds, how much was transferred to Army O&M in Fiscal Year 1986? Have you spent the money yet, if not, why not?

General Noah. $207 million is scheduled to be transferred. No, we have not spent the money yet. OSD is holding up the notification to Congress until they get a better estimate of Military Personnel pay raise and retirement costs.

COAL IN GERMANY

Mr. **Daniel**. For many years there is a congressional requirement for the Army to buy, ship and use American coal to fuel its powerplants in Europe. I understand that recent German environmental statutes may restrict our ability to do this. Could you comment on this situation and indicate what kinds of options we have in providing heat and utilities to our forces in Germany?

General **Noah**. Yes, recent German environmental statutes will severely restrict our ability to operate existing heating plants or to continue to solve our problems by consolidating existing heating plants in Germany. Based on our assessment of the situation over there, the most favorable option for the Army is to connect to district heat sources. Under this option, the Germans themselves operate the powerplants and we purchase the heat directly from them. This means, of course, that the responsibility for compliance with the German environmental statutes rests with the Germans themselves.

URBAN COMBAT

Mr. **Daniel**. How does the Fiscal Year 1987 O&M request improve the Army's ability to conduct operations in urban and built-up areas? Specifically, what kind of training initiatives and improvements are projected?

General **Noah**. There are no specifically earmarked O&M funds for training in military operations or urbanized terrain. Institutional training at the appropriate service schools will continue as part of courses that train soldiers and leaders in combat skills. Units will integrate this type of training into normal training programs in so much as the limited available facilities permit. The Congressional action to defer the FY 1986 military construction appropriation for six Military Operations on Urbanized Terrain (MOUT) training facilities reduces the Army's ability to train effectively for this environment. The FY 1987 budget submission contains a military construction project to build such a facility at Hohenfels, Germany, which will support the forward deployed forces in that highly urbanized country. The requested amount for that project is $2.7 million (military construction).

PROGRAM GROWTH

Mr. **Daniel**. On page 3 of your prepared statement, you have a table reflecting program growth since Fiscal Year 1984. What would the Fiscal Year 1986 column look like if you factored in the impact of sequestration?

General **Noah**. We have modified chart 2 to include the effects of sequestration and the changes are as displayed on a chart on page 49. In general, the effect is that the Operation and Maintenance, Army growth from Fiscal Year 1985-Fiscal Year 1986 is less than one percent and the growth from Fiscal Year 1986-Fiscal Year 1987 increases to approximately five and one-half percent.

Mr. **Daniel**. On page 4 of your prepared statement, you have a table price and program growth across the Operation and Maintenance programs from fiscal year 1985 through fiscal year 1987. How would those calculations change if your factored in the impact of sequestration?

General **Noah**. We have recomputed the chart 4 table based on the Fiscal Year 1986 sequestration and the effect is that program growth increases by approximately five percent as shown on a chart on page 49. The difference is directly attributable to the 4.9% uniform reduction of our Fiscal Year 1986 program.

[The chart follows:]

PROGRAM GROWTH

(FY 1986 INCLUDES GRAMM-RUDMAN)

(DOLLARS IN MILLIONS)

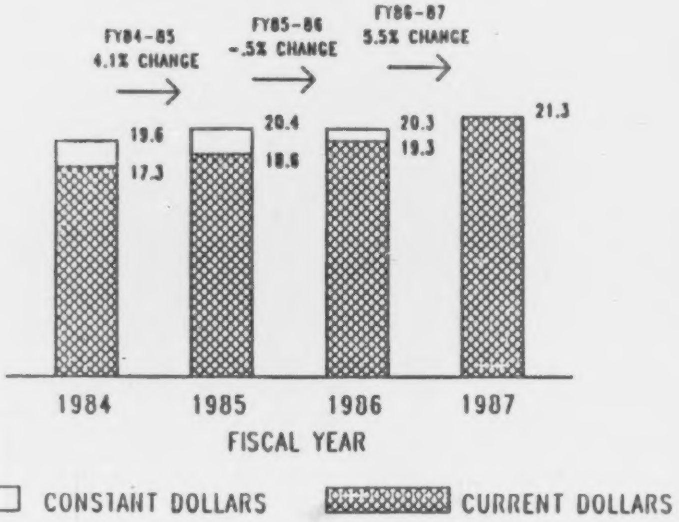


Chart 2

FY 1987 OMA BUDGET

PRICE AND PROGRAM GROWTH WITH GRAMM-RUDMAN

(DOLLARS IN MILLIONS)

PROGRAM	FY 85	FY 86	PRICE GROWTH	PROGRAM GROWTH	FY 87	CHANGE	% PROG GROWTH
2 GEN PURP FORCES	3247	3551	-519	201	3633	-319	5.1
3 INTELLIGENCE	236	261	6	11	270	17	4.2
3 COMMUNICATIONS	865	1073	59	108	1240	167	10.1
7 CENTRAL SUPPLY	2397	2277	571	44	2852	615	1.9
7 DEPOT MAINTENANCE	2225	2121	85	62	2268	147	2.9
7 ENVIRONMENTAL	0	138	5	-126	17	-121	-91.5
8 TRAINING	1061	1068	24	104	1196	128	9.7
8 MEDICAL	1224	1329	59	56	1444	115	4.3
8 OTH PERS ACT	642	606	18	54	679	73	8.9
9 ADMINISTRATION	941	839	20	59	919	75	7.0
10 SPT TO NATIONS	168	168	61	-4	225	57	-2.3
11 BASE OPS (-)	2863	2735	190	230	3156	421	8.4
12 RPMA	2792	2682	457	256	3396	714	9.6
TOTAL	18660	19250	1036	1056	21342	2092	5.5%

Note: Totals may not add due to rounding

Chart 4

CIVILIAN EMPLOYMENT LEVELS

Mr. DANIEL. What impact do you think sequestration will have on Army civilian employment levels and how are you attempting to monitor and manage that impact?

General NOAH. Civilian employment levels in programs subject to sequestration may decrease based on the degree to which the program is affected. Army commands have been instructed to report to Headquarters, Department of the Army their assessment of the impact Fiscal Year 1986 funding reductions will have on their civilian employment levels. This information will be reflected in the Army's Fiscal Year 86 Civilian Employment Level Plan which projects civilian employment levels by month. The Army Staff will monitor execution of these plans and approve or disapprove adjustments as required. Activity Commanders will be delegated authority to determine the appropriate personnel actions that may be necessary to reduce employment as a result of sequestration. Personnel actions could include reduction-in-force if sequestration requirements cannot be met through less adverse action.

Mr. HUTTO. Thank you, General Noah and General Williams, for being with us. It appears to me that the OMA heart is pulsating pretty good. Of course, this subcommittee would certainly not recommend any bypass surgery. We will have to wait and see what Doctors Gramm and Rudman say about it. But if any doctoring is needed, I would say that I would hope that it would not be anything more than a couple of capillaries.

General NOAH. Thank you, sir, appreciate it.

Mr. HUTTO. We appreciate very much your coming to visit with us and for your excellent testimony today.

General NOAH. Thank you.

General WILLIAMS. Thank you.

Mr. HUTTO. The subcommittee will recess until 2 p.m. tomorrow afternoon.

[Whereupon, at 3:20 p.m., the subcommittee recessed, to reconvene at 2 p.m., Wednesday, February 19, 1986.]

NAVY AND MARINE CORPS OPERATIONS AND MAINTENANCE APPROPRIATIONS FOR FISCAL YEAR 1987

House of Representatives,
Committee on Armed Services,
Readiness Subcommittee,
Washington, DC, Wednesday, February 19, 1986.

The subcommittee met, pursuant to notice, at 2:04 p.m., in room 2216, Rayburn House Office Building, Hon. Earl Hutto presiding.

STATEMENT OF HON. DAN DANIEL, A REPRESENTATIVE FROM VIRGINIA, CHAIRMAN, READINESS SUBCOMMITTEE, PRESENTED BY HON. EARL HUTTO, A REPRESENTATIVE FROM FLORIDA

Mr. Hutto. The Subcommittee on Readiness will be in order. Chairman Daniel is not able to be with us this afternoon, at this time, and has asked that I read a statement on his behalf.

These are Mr. Daniel's remarks:

Today, the subcommittee continues its review of the fiscal year 1987 Defense Operation and Maintenance request, with testimony from Navy and Marine Corps witnesses. We want to welcome back Vice Adm. Thomas Hughes, Deputy Chief of Naval Operations for Logistics. Admiral Hughes is accompanied by Rear Adm. 'Bear' Taylor, Director of the Operations Division in the Office of the Navy Comptroller.

I believe this is your first appearance before a subcommittee, Admiral Taylor. We look forward to yours and Admiral Hughes' testimony.

Our lead Marine Corps witness this afternoon is Lt. Gen. Joseph Went, Marine Corps Deputy Chief of Staff for Installations and Logistics. I guess the Marine Corps must have been satisfied with your answers to our questions on the Marine Corps Reserve last year, because I see that you have been promoted, and are here again. Congratulations on that third star.

General Went, your companion today, Maj. Gen. Jack Godfrey, is certainly no stranger to most of us. The Special Operations Panel of this subcommittee has had the privilege of hearing from him on several occasions, and we welcome him to the full subcommittee today in his capacity as Director of the Operations Division at Headquarters Marine Corps. As with your Navy shipmates, we look forward to your testimony.

Unless I have missed my guess, I am sure that both the Navy and Marine Corps had observers at our subcommittee's hearing yesterday, when we heard testimony from your Army colleagues. I hope those observers reported more than just the kind of questions the members of the subcommittee asked. Hopefully, they also reported the many concerns expressed by our members regarding the challenges we are faced with in the coming fiscal year, 1987, defense budget deliberations.

And, I especially hope your observers reported my comments, Mr. Daniel's comments, regarding the operations and maintenance portion of our budget. At the risk of being repetitious, I want to reiterate several points I made yesterday.

The enactment of the Gramm-Rudman-Hollings legislation has created an entirely new climate for congressional budget deliberations. As I have previously stated, this is especially true with respect to the Defense budget. The name of the game is how to find savings which will help in our challenge to reduce the budget deficit. And, what we are talking about is outlay savings.

You gentlemen, along with all of us who participate in budget decisions, know and understand that the O&M account is outlay rich, as they say.

However, I must say that I do not share many of the doom and gloom predictions that a lot of folks are preaching these days. Do not get me wrong though—the fiscal year 1987 Defense budget is not going to be an easy subject, and the O&M portion will be a particular challenge. There will be inordinate pressure on O&M mainly as a result of its relatively high first yield payout rate.

At this point, I am confident of two things: first, I am confident that this subcommittee, as well as the full Armed Services Committee, recognizes the importance of the O&M account as the foundation for the readiness of our armed services. We simply cannot afford to dismantle or otherwise degrade all of the important improvements we have made in readiness in the past 5 years.

Second, I am confident that we will be able to find responsible alternatives and options that will allow us to achieve the outlay savings required in the O&M account. On the other hand, as I said yesterday, we have to recognize new fiscal realities and the need to carefully review O&M programs and priorities to make sure that we are getting the most for our money.

You gentlemen, along with your colleagues from the other services can, and must provide the assistance this subcommittee will need to ensure we preserve the key elements of readiness and quality of life programs supported by the O&M account.

We have more unknowns this year than we have had at this same point in the budget process in previous years. And, at the same time, we have far less time to resolve the important issues facing us than in previous years. The challenge of formulating an O&M budget which preserves readiness and quality of life requirements, while contributing to deficit reductions, is going to be great.

I am confident we can and will do it, and I am confident that your assistance will play a vital role.

Before the subcommittee receives your testimony, I would like at this time to recognize our ranking minority member, Mr. Whitehurst.

STATEMENT OF HON. G. WILLIAM WHITEHURST, A REPRESENTATIVE FROM VIRGINIA, RANKING MINORITY MEMBER, READINESS SUBCOMMITTEE

Mr. WHITEHURST. Thank you, Mr. Chairman. And, I would like to join the chairman in welcoming our witnesses this afternoon. Admiral Hughes, it is nice to have you back; if my memory serves me correctly, this is your third consecutive year, as the Navy's O&M witness. I am not sure whether that, as I said earlier, warrants congratulations or condolences, but we are always happy to have you here. You are a great witness.

And, General Went, it is nice to see you again.

Congratulations on your third star. Did you have that last year?

General WENT. No, sir.

Mr. WHITEHURST. I did not think so; well that is dandy, and we salute you for that.

General Godfrey, I understand also that you have appeared several times as a witness before the Special Operations Panel of the subcommittee, so you are not a stranger either.

So, as the chairman said, we welcome you to the full subcommittee arena. Admiral Taylor, I guess that makes you just the one freshman-witness. You will get your scar soon enough in this battle.

Hopefully, your predecessor, who I have had the pleasure of seeing occasionally, Admiral Riendeau, is now languishing where both of us would like to be, and that is in the delightful surroundings of Virginia Beach, and not here fighting the battle of Washington.

But, he has passed on all kinds of encouraging things and assured you, you know, that you are among friends.

Yesterday, during our hearing on Army Operation and Maintenance, I mentioned that in the past years, I have likened advocacy of the O&M accounts to membership in the Light Brigade. This year, as I told our Army witnesses, I was going to describe us as members of the Lost Battalion, because at least the Light Brigade knew where it was going. Since our witnesses today are from the sea service, I guess I had best find a more nautical description, and so I would suggest perhaps, Jason and his voyage aboard the *Argonaut*, and like the Lost Battalion he was equally unsure of where he was going.

But, Jason's situation was even more complicated. He was not even sure the Golden Fleece he was looking for, existed, let alone, whether he would ever find it.

I certainly hope that our subcommittee's quest to find a satisfactory fiscal year 1987 Navy and Marine Corps O&M account is a smoother and more precise voyage than Jason's. Unlike the mythical Golden Fleece, I know our goal is not only real, but attainable. Unfortunately, however, the voyage to get us there will probably see some rocks and shoals.

The first maelstrom we are going to have to deal with is the new budget procedures established by the Gramm-Rudman-Hollings legislation. The compressed time schedule we are being forced to comply with, makes a careful review of your O&M account even more critical than in past years.

I do not want to see the hasty formulation of an O&M budget produce something as fraught with mistakes as I feel the Gramm-Rudman legislation driving this year's process is.

This year, under the threat of deficit reduction and outlay savings, we are going to be faced with tremendous pressure to make substantial reductions in your O&M account. As I told the Army yesterday, we are going to have to look at options we have not looked at before.

Even after we massage all O&M programs thoroughly, for savings through increased efficiency and economies, I suspect we may have to make some difficult choices, resulting in less than desirable O&M situations. It is unfortunate that we may already be starting down the road to those undesirable O&M situations as a result of the fiscal year 1986 Gramm-Rudman sequestration.

As you gentlemen well know, it is difficult to know the final O&M impact, until some time has gone by. Those of us who are immediately concerned about O&M understand that we are at somewhat of a disadvantage compared to our counterparts in the procurement business who can instantly tell you what a reduction will do to their account.

That notwithstanding, I am just as confident as our chairman, we will be able to find responsible alternatives and options that will allow us to achieve savings and make reductions to the O&M account. And, I am, likewise, confident that we can make those reductions without doing irreparable damage to either the readiness of our forces or the quality of life programs that we have worked so hard these last several years to achieve.

It will not be easy, but with your help, I know that we can do it. The quality and timeliness of the information that you gentlemen provide will be the key navigation aids allowing us to complete our difficult voyage and arrive at our goal of a satisfactory fiscal year 1987 O&M account.

I thank you for indulgence, Mr. Chairman, the witnesses, and I look forward to hearing from them.

Mr. HUTTO. Thank you very much, Mr. Whitehurst, for your very fine statement. Do any of the other members have any opening statement?

If not, Admiral, you may proceed as you see fit.

STATEMENT OF VICE ADM. THOMAS J. HUGHES, USN, DEPUTY CHIEF OF NAVAL OPERATIONS [LOGISTICS]

Admiral HUGHES. Thank you very much. Good afternoon, Mr. Chairman and gentlemen.

While I like to show up as the heroic figure going after the Golden Fleece, I would prefer not to have that award. [Laughter.]

Again, I appreciate the opportunity to appear before you today, to discuss the Navy's 1987 budget request for the Operation and Maintenance Account.

Before Admiral Taylor discusses the details of the Operation and Maintenance Budget, I would like to emphasize the basic objective which this account supports; that is, the attainment of readiness and support of our preparedness to meet our global responsibilities.

The proper funding of the Operation and Maintenance Account is a critical element of our ability to execute control of the sea lanes and the preservation of peace. In recognition of the overall budgetary and economic concerns facing our Nation this year, we have stringently reviewed the requirements and have carefully balanced our resources between readiness and the other pillars of our defense program, that is sustainability, modernization and force structure.

This balance will result in the achievement of our national commitment of maritime strength in key ocean areas, in conjunction with our allies.

Toward the achievement of our basic readiness objective, high emphasis is placed on the efficient allocation and management of the available resources. Last year, at this time, I shared with you a number of initiatives formulated to improve the return on the investment of defense dollars, namely, the Navy's Buy Our Spares Smart or BOSS Program, the Aircraft Service Period Adjustment Program and our emphasis on selected restricted availabilities and phased maintenance concept. We are continuing to make considerable progress in these areas.

In the area of spare parts, the BOSS Program has significantly improved our ability to procure spare and repair parts efficiently and economically. This program, which contains over 100 individual initiatives, encompasses such areas as requirements determination, spare parts breakouts, competition, obtaining more proprietary data from contractors, determining the "should cost" value of parts by establishing a "price-fighter team," improving training for the procurement work force, and establishing a hot line to encourage users familiar with the worth of an item to question any unreasonable prices.

The return on investment in BOSS is considerable. During fiscal years 1984 and 1985, the Navy invested $101 million in BOSS resources, and achieved a cost avoidance amounting to $520 million, well over the $193 million in cost avoidance reported last year in 1984.

The Aircraft Service Period Adjustment Program has resulted in significant lowering of the requirements for reworking airframes through an in-depth inspection prior to airframe induction. Last year we predicted that this program would produce over $200 million in cost avoidance savings in 1984 to the 1986 timeframe.

The 1987 budget includes cost avoidance savings well over $500 million for the 1984 to 1987 timeframe.

And, in ship maintenance, the continued emphasis on selected restricted availabilities in the phase maintenance concept has allowed more ships which would have been due for full overhaul, to be placed in extended operating cycles, thereby producing higher operational availability of the Navy's limited ship resources to the fleet, without increasing maintenance costs.

As a result, the fiscal year 1987 budget reflects the same number of overhauls in 1986 as in 1987, with an increase in the number of selected restricted availabilities.

This administration's emphasis on improving management and efficiency of resource utilization is paying off and making itself evident in naval readiness.

The readiness goal is to provide for operation and support of our existing forces at a level that will permit the Navy to respond when, where and at the level required. Readiness indicators give us a way of summarizing the effect of budgetary changes on the Navy's ability to respond when called out. These indicators show that substantial improvement has been obtained in readiness over the past several years.

Overall combat readiness of strategic and general purpose forces has steadily improved, and it is important to note that this has occurred as the force structure has also increased. Since 1981, the average number of ships reporting themselves fully or substantially combat ready has nearly doubled.

During the period of 1980 to 1985, the squadrons that were reporting themselves fully or substantially combat ready, increased nearly fourfold.

We are clearly on course in our readiness improvements. These improvements are largely due to the increased fiscal support provided by Congress. The fiscal year 1987 budget continues on that course.

The tables that I have in my statement display, and it is in front of you, display the budget indicators which reflect the same message of readiness improvement.

For ship operations, deployed and nondeployed, operating tempo will continue at the fiscal year 1986 level, while the reserve activity increases. Specifically, the chart shows that for our deployed forces, we have a 50.5 steaming days per quarter allowance, and for the nondeployed, 29 days; for the Reserve forces, we have gone up from 14.7 steaming days per quarter to 21 days.

Another chart that you have in front of you in the statement, summarizes various categories of activities and levels of funding for maintenance and modernization of active ships in the force. The number of overhauls included in the program remain constant at 37 in 1987, while phased maintenance and selected restricted availabilities increase by 47.

Extensive survivability, hull silencing, and weapons upgrade modernization continues in 1987. The handout displays a chart which shows these changes.

Another chart which is very important in the handout depicts the primary mission readiness as a measure of aircraft operations. The Flying Hour Program is budgeted for a primary mission readiness of 87 percent in 1987. That is the same level as in 1985, and in 1986. The Flying Hour Program provides for seven new squadrons, two F-14, one E-2C, one SH-60Bravo, one A-6E, one EA-6B, and one S-3A in 1987, retaining the primary readiness indicator as 87 percent.

The various categories of activity and levels of funding for aircraft maintenance and modernization are also displayed. The primary readiness indicators for aircraft material readiness and mission capable rate are a measures that we use. This budget reflects a slight increase in the mission capable rate from 73 percent in 1986 to 74 percent in 1987, and a continued improving full mission capable rate. Decreases in component reworks are due to stock funding of aviation depot level repairable components begun in 1985 and continuing in 1987.

Again, our mission capable rate has increased from 1986, 73 to 74 percent in 1987.

Our national military strategy is based on the principles of deterrence and forward defense. Maritime strength and the projection of our naval forces are vital to these principles. Since the end of World War II, U.S. naval forces have been continuously engaged in an increasingly difficult and complex effort to safeguard U.S. interests throughout the world.

We seek to ensure that our readiness posture gives credence to this strategy. Significant advances in the readiness of our naval forces has been made possible through the national recommitment to an adequate defense. The steady course the Congress has helped set in rebuilding the Navy, following the declines experienced in the 1970's, must be maintained.

With your continued support, we will reestablish our maritime strength so vital to America's security.

With that, I would like to turn the microphone over to Admiral Taylor, for him to discuss more details on the Navy O&M budget and then he, in turn, will ask General Went to address the Marine Corps O&M budget.

PREPARED STATEMENT OF VICE ADM. THOMAS J. HUGHES

I appreciate the opportunity to appear before you today to discuss the Navy's FY 1987 budget request for the operation and maintenance appropriations.

Before Rear Admiral Taylor discusses the details of the operation and maintenance budget, I would like to emphasize the basic objective which this account supports: The attainment of readiness and support of our preparedness to meet our global responsibilities. Proper funding of the Operations and Maintenance account is the critical element in our ability to execute control of the sealanes and the preservation of peace. In recognition of the overall budgetary and economic conerns facing our nation this year, we have stringently reviewed the requirements and have carefully balanced our resources between readiness and the other "pillars" or our defense program, sustainability, modernization, and force structure. This balance will result in the achievement of our national commitment of maritime strength in key ocean areas in conjunction with our allies.

Towards the achievement of our basic readiness objective, high emphasis is placed on the efficient allocation and management of available resources. Last year at this time I shared with you a number of initiatives formulated to improve the return on the investment of our defense dollars. Namely, the Navy's Buy our Spares Smart (BOSS) program, the Aircraft Service Period Adjustment (ASPA) program, and our emphasis on selected restricted availabilities and the phased maintenance concept. We are continuing to make considerable progress in these areas:

In the area of spare parts, the BOSS program has significantly improved our ability to procure spare and repair parts efficiently and economically. This program, which contains over 100 individual initiatives, encompasses such areas as requirements determination, spare parts breakout, competition, obtaining more proprietary data from contractors, determining the "should cost" value of parts by establishing a "price-fighter" team, improving training for the procurement work force, and establishing a hotline to encourage users familiar with the worth of an item to question unreasonable prices. The return on investment in BOSS is considerable. During FY 1984 and FY 1985, the Navy invested $101 million in BOSS resources and achieved cost avoidance exceeding $520 million, well over the $193 million in cost avoidances reported last year for FY 1984.

The Aircraft Service Period Adjustment (ASPA) program has resulted in a significant lowering of the requirements for reworking airframes through an indepth inspection prior to airframe induction. Last year we projected that this program would produce over $200 million in cost avoidance savings in the FY 1984 to FY 1986 timeframe. The FY 1987 budget includes cost avoidance savings of well over $500 million for the FY 1984 to FY 1987 timeframe.

In ship maintenance, the continued emphasis on selected restricted availabilities and the phased maintenance concept has allowed more ships which would have been due for full overhaul to be placed on extended operating cycles, thereby providing higher operational availability of the Navy's limited ship assets to the fleet without increasing maintenance costs. As a result, the FY 1987 budget reflects the same number of overhauls in FY 1986 as in FY 1987 with an increase in the number of selected restricted availabilities.

This administration's emphasis on improving management and efficiency of resource utilization is paying off and making itself evident in Naval readiness.

The readiness goal is to provide for operation and support of our existing forces at a level that will permit the navy to respond when, where, and at the level required. Readiness indicators give us a way of summarizing the effect of budgetary changes on the Navy's ability to respond when called upon. These indicators show that substantial improvement has been attained in readiness over the past several years.

Overall combat readiness of strategic and general purpose forces has steadily improved, and it is important to note that this has occurred as the force structure also increased. Since 1981 the average number of ships reporting themselves fully or substantially combat ready has nearly doubled. During the period October 1980 through October 1985, the squadrons reporting themselves fully or substantially combat ready increased nearly fourfold. We are clearly on course in our readiness improvements. These improvements are largely due to the increased fiscal support provided by the Congress. The FY 1987 budget continues on that course. The following tables display some budget indicators which reflect the same message of readiness improvement.

For ship operations, deployed and non-deployed, operating tempo will continue at the FY 1986 level while reserve coverage increases. Chart 1 displays the factors in fleet operating tempo.

CHART 1.—SHIP OPERATIONS TEMPO

[Operating days per quarter]

	Fiscal year—		
	1985	1986	1987
Active Forces:			
Deployed	53.6	50.5	50.5
Nondeployed	27.4	29.0	29.0
Reserve Forces	14.7	14.7	21.0

Chart 2 summarizes various categories of activity and levels of funding for maintenance and modernization of active ship forces. The number of overhauls included in the program remain constant at 37 in FY 1987 while phased maintenance and selected restricted availabilities increase by 47. Extensive survivability, hull silencing, and weapons upgrade modernization continue in FY 1987.

CHART 2.—ACTIVE FORCE SHIP MAINTENANCE AND MODERNIZATION

[In millions of dollars]

	Fiscal year—		
	1985	1986	1987
Ship overhauls	2,393.4	2,348.8	2,312.7
RA/TA	1,330.7	1,258.7	1,565.1
Modernization	1,345.2	1,598.2	1,527.7
Intermediate maintenance	326.9	385.2	380.0
Technical support	120.7	142.7	147.6
Outfitting	300.5	350.0	393.6
Berthing and messing	41.4	44.5	40.9
Inactivations [SALT]	28.8	0.0	0.0
Number of regular overhauls	55	37	37
Number of deferred overhauls	0	0	0

Chart 3 depicts Primary Mission Readiness (PMR) as a measure of aircraft operations. The flying hour program is budgeted for a Primary Mission Readiness of 87 percent in FY 1987, the same level as in FY 1985 and FY 1986. The flying hour program provides for 7 new squadrons (2 F-14, 1 E-2C, 1 SH-60B, 1 A-6E, 1 EA-6B and 1 S-3A) in FY 1987.

CHART 3.—AIRCRAFT OPERATIONS

	Fiscal year—		
	1985	1986	1987
Primary mission readiness*	87	87	87

*Includes 2 percent simulators.

The various categories of activity and levels of funding for aircraft maintenance and modernization are displayed in chart 4. The primary readiness indicator used for aircraft material readiness is the Mission Capable (MC) rate. This budget reflects a slight increase in the mission capable rate from 73 percent in FY 1986 to 74 percent in FY 1987 and a continued improved full mission capable rate. Decreases in component rework are due to the stock-funding of aviation depot level repairable components begun in FY 1985 and continuing into FY 1987.

CHART 4.—AIRCRAFT MAINTENANCE AND MODERNIZATION

[In millions of dollars]

	Fiscal year—		
	1985	1986	1987
Airframe rework	469.8	484.9	513.7
Engine rework	332.5	325.6	331.9
Component rework	638.5	107.2	58.2
Modification installation	287.7	376.1	300.2
Support services	56.9	32.2	26.6
Mission capable rate (percent)	71	73	74

Our national military strategy is based on the principles of deterrence, and forward defense. Maritime strength and the projection of our naval forces are vital to these principles. Since the end of World War II, U.S. naval forces have been continuously engaged in an increasingly difficult and complex effort to safeguard U.S. interests throughout the world. We seek to ensure that our readiness posture gives credence to this strategy. Significant advances in the readiness of our Naval forces have been made possible through the national recommitment to an adequate defense. The steady course the Congress has helped set in rebuilding the Navy, following the declines experienced in the 1970's, must be maintained. With our continued support, we will reestablish our maritime strength so vital to America's security.

Following Rear Admiral Taylor's statement, he and I are available to to respond to any questions you may have.

Thank you.

Mr. HUTTO. I thank you. Admiral Taylor.

STATEMENT OF REAR ADM. JEREMY D. TAYLOR, USN, DIRECTOR, OPERATIONS DIVISION, OFFICE OF BUDGET AND REPORTS

Admiral TAYLOR. Good afternoon Mr. Chairman and distinguished members. I have a statement for the record, I would like to submit; and then I would like to go on and make a few, brief statements if I may.

Mr. HUTTO. Without objection, your entire statement will be included in the record.

Admiral TAYLOR. Thank you, sir. First of all, I would like to thank the committee and your staff for the superb, sustained support for funding of operations and maintenance in the past. You have been more than instrumental in the improvement of Navy readiness over the past 5 years. It is a record, as the admiral has said, that is one to be proud of.

During the period, we have seen combat readiness for our surface ships increase by 94 percent, our nuclear submarines by 69 percent, and our aviation squadrons by over 200 percent. These are the bottom line examples that are indicative of the across-the-board improvements in Navy and Marine Corps Active and Reserve readiness.

The fiscal year 1987 O&M budget request is a carefully balanced, executable, and fully justified request that will continue the readiness programs begun in previous years. As a percentage of total obligational authority, O&M remains at about the same level as in fiscal year 1986, 27.6 percent, as noted in chart 1 of the handout that I have in front of everybody.

This is a dollar increase of $616 million to raise the total request to $25.688 billion. On chart 2, I have displayed the recent track record of Navy O&M and highlighted the changes in each of the budget activity groups from fiscal year 1986 to fiscal year 1987.

The 1987 request will be used to fund the programs I have listed on charts 3 and 4. Our $25.688 billion will be used to fund significant operations and maintenance increases in our strategic forces, including the operation of eight Trident submarines, and an increase of two SSBN and one support ship in our overhaul program.

It will operate and maintain a deployable battle force of 566 ships, which is up 13 ships from 1986, at a tempo that will yield optimum readiness and training. It will operate 118 strategic sealift ships. It will provide more than 1½ million hours of flight time for combat aircrew training and fleet air support.

It will maintain an operating inventory of over 5,000 aircraft; it will provide for the rework of more than 700 aircraft and 2,300 aircraft engines; it provides for 37 ship overhauls and submarines, to sustain a backlog of zero ships for the third consecutive year.

It will fund nearly $2 billion to install the war-fighting improvements on our ships, submarines and aircraft that have been procured in prior years. It will also contain our backlog of maintenance of real property at the $950 million level. And, finally, it will support and train a Navy that is manned by 592,000 active military personnel and 318,000 civilian personnel.

The fiscal year 1987 O&M budget request does not have all the money I would like as the Director of Operations. But, as is the case every year, the allocation of resources is driven by the need to balance our spending for readiness with funding for sustainability, modernization, and the expansion of forces needed to make our national and maritime strategies viable.

The O&M submit does have what it will take to maintain the levels of readiness we have achieved over the past 5 years, and to make further improvements in some areas.

While a $616 million add to the fiscal year 1986 appropriation, which includes price changes due to inflation, is small compared to previous submissions, the fact is, we are getting a lot for our money now, as a consequence of a number of successful management initiatives and changes in the way we do business. And, as a result, we are achieving higher levels of readiness with a relatively flat level of funding.

The programs enumerated by Vice Admiral Hughes are indicative of the success we are recording. The fact is, we have become more efficient in the management of our resources, and as a consequence, we are now able to achieve higher levels of combat readiness in a force that has been expanded with relatively constant funding.

Nearly $1 billion has been scrubbed out of our original O&M estimates, on the basis of these improvements in the way we are doing business. In other words, as you start your search for ways to reduce the size of this request, you have to realize that we have already taken more than $1 billion on the basis of economies and efficiencies, audits, a tally on prior year performance on the 19 major claimants of Navy O&M funds.

Included is a $500 million reduction in the Ship Overhaul Program, and a $100 million in operating tempo that we have already taken.

The Navy O&M budget request is, therefore, a tightly constructed, fat-free submission, that will enable us to stay as ready as we must be, to be able to execute our role in the national strategy.

Your support for the request is respectfully requested. Thank you, Mr. Chairman, and I am prepared to answer questions after General Went and the Marines get their turn.

PREPARED STATEMENT OF REAR ADM. JEREMY D. TAYLOR

I appreciate the opportunity to appear before you today to present the Navy's FY 1987 budget request for the Operation and Maintenance appropriations.

Before discussing the details of the FY 1987 Operation and Maintenance budget request, I would like to emphasize the basic objective which these appropriations support - the attainment of readiness while maintaining the level of support necessary to meet our global responsibilities. Proper funding of operation and maintenance is the critical element in our ability to control the sealanes and preserve the peace. In recognition of the overall budgetary and economic concerns facing our nation this year, we have stringently reviewed all requirements and we have carefully balanced our resources among readiness, sustainability, modernization and force structure, in order to achieve our national commitment of maritime strength in key ocean areas in conjunction with our allies. The steady course the Congress has helped set to rebuild the Navy, following the declines experienced in the 1970's, must be maintained. With your full support, we will have made great progress in re-establishing our maritime strength so vital to America's security.

In FY 1987, as in past years, we have placed great emphasis on fleet readiness, with increases to support higher force levels and prescribed readiness training. We are acutely aware of the strong competitive demand for the nation's limited resources and have based our FY 1987 budget request on a careful and thorough assessment of the most economic and efficient means to achieve our common objectives. Chart 1 displays the composition of the Navy FY 1987 President's Budget Request, by appropriation category, with obligational authority for operation and maintenance comprising more than one-quarter of the Departmental total.

CHART 1

DEPARTMENT OF THE NAVY

FY 1987 PRESIDENT'S BUDGET REQUEST

(IN MILLIONS OF DOLLARS)

APPROPRIATION CATEGORY	FY 1987 REQUEST	% OF TOTAL
O&M	$28,594	27.6%
MILPERS	24,635	23.8%
PROCUREMENT	36,550	35.3%
RESEARCH & DEVELOPMENT	10,587	10.2%
CONSTRUCTION	1,859	1.8%
FAMILY HOUSING	784	0.8%
STOCK FUNDS	524	.5%
TOTAL DON	$103,533	100.0%

The operation and maintenance appropriations finance the day to day operation of forces located in the United States and around the world, and supports those operations which have the most direct and immediate impact on the current readiness of the Navy. Chart 2 displays the total Department of the Navy Operation and Maintenance request of $28.6 billion, an increase of $0.9 billion over the FY 1986 current estimate.

CHART 2

APPROPRIATION SUMMARY

FY 1985 AND FY 1986

(IN MILLIONS OF DOLLARS)

APPROPRIATION	FY 1986	FY 1987	$ CHANGE
O&M,N	$25,072	$25,689	+$616
O&M,MC	1,667	1,864	+198
O&M,NR	913	976	+63
O&M,MCR	58	65	+7
TOTAL O&M	$27,710	$28,594	+884

The appropriation requests include operating funds for 566 deployable battle force ships, 118 strategic sealift ships, 5,012 average operating aircraft (including Navy, Marines and Reserves), 4 Marine divisions, and a network of shore installations and commands. Naval forces, operating under the control of the unified and specified commanders, deploy globally and represent a fully ready combat force in being available on short notice for employment in support of our national policy throughout the world.

OPERATION & MAINTENANCE, NAVY

Chart 3 displays the Operation and Maintenance, Navy request of $25.7 billion, which is $0.6 billion above the current FY 1986 estimate of $25.1 billion. Our FY 1987 request supports increased Navy operating forces, including program increases in Trident operations, aircraft operations (including Marine aircraft), fleet outfitting, and weapon systems support. Additionally, it will finance the total spectrum of increased activity within the Navy support establishment.

CHART 3

OPERATION AND MAINTENANCE, NAVY

(IN MILLIONS OF DOLLARS)

	FY 1985	FY 1986	FY 1987	FY 86-FY 87
STRATEGIC FORCES	$2,127.9	$2,049.7	$2,476.1	+$426.4
GENERAL PURPOSE FORCES	11,731.1	12,145.9	11,941.4	204.5
INTELLIGENCE & COMMUNICATIONS	1,107.9	1,098.4	1,170.7	+72.3
AIRLIFT & SEALIFT	645.5	790.6	631.3	-159.3
CENTRAL SUPPLY & MAINTENANCE	6,828.8	6,815.1	6,906.8	+91.7
TRAINING, MEDICAL, & OTHER GENERAL PERSONNEL ACTIVITIES	2,352.6	2,484.6	2,578.3	+93.7
ADMINISTRATION	710.6	760.1	807.0	+46.9
SUPPORT TO OTHER NATIONS	2.5	2.5	2.5	0.0
NIF & NSF SUPPORT	576.9	1,074.5	825.5	+249.0
TOTAL O&M,N	$24,930.1	$25,072.5	$25,688.5	+$616.0

Major changes between FY 1986 and FY 1987 are discussed in the following budget activity summaries:

The FY 1987 budget request for Strategic Forces includes increased funding for the ship maintenance and modernization program to reflect the impact of two additional FBM submarines and one additional support ship in the overhaul program. Increased funding for the Trident program is also included, reflecting an additional number of operational submarines and the Kings Bay development.

Funding for General Purpose Forces decreases in FY 1987 primarily due to savings associated with shipyard efficiency and productivity improvements, ship operating tempo cost reductions in fuel and SSN spare parts usage, and the effect of the foreign currency exchange rate. The FY 1987 budget provides for the stand up of seven new squadrons in FY 1987, including two F-14 squadrons, one E-2C squadron, one SH-60B LAMPS MK III squadron, one A-6E squadron, one EA-6B squadron, and one S-3A squadron. A total of 1,479 thousand hours are budgeted to allow Navy and Marine Corps aircrews to maintain proficiency to conduct aircraft operations at 87 percent Primary Mission Readiness, including a 2 percent contribution by simulators. Ship operating tempo is budgeted to remain level with FY 1986 at 29 days per quarter for the non-deployed fleets and 50.5 days per quarter for the deployed fleets. Additional operational ship months are budgeted in FY 1987, reflecting a net increase of nine active battle force ships. Due to added emphasis on selected restricted and phased maintenance availabilities over the past two years, three fewer ship overhauls are budgeted for General Purpose Forces in FY 1987. This change in emphasis will provide increased operational availability of the Navy's limited ship assets to the Fleets without increasing maintenance costs.

Program growth in Intelligence and Communications relates to increased levels of effort for design, engineering and installation of equipments in support of communications security, telecommunications and the Worldwide Military Command and Control System. Also included is the centralization of personnel security clearance adjudication. This growth is partially offset by the elimination of the Department of Navy portion of the fixed cost of U.S. Coast Guard Ice-breaker Service. Based upon a new Memorandum of Understanding, the U.S. Coast Guard will fully budget for Icebreaker Service fixed costs. Other program details are classified.

Airlift and Sealift programs decrease in FY 1987 to reflect the elimination of lease-termination liability funding and lower per diem costs for MPS and prepositioned ships, while still allowing sufficient funding to provide for the delivery of two hospital ships as well as the continued growth of the Ready Reserve Force (RRF) to 93 ships.

Central Supply and Maintenance programs provide supply, maintenance, technical, and other logistic and acquisition management support to the operating forces. The funds budgeted in FY 1987 reflect efforts to improve readiness on ships, aircraft, and major weapon systems and equipment. Funding is budgeted for depot maintenance in the areas of AEGIS systems, Point

Defense, Search Radar maintenance, Submarine ASW maintenance and Aircraft Rework to maintain the readiness of equipment and weapons systems. A comprehensive program to eliminate the backlog of technical manuals by the end of FY 1991 is being initiated in FY 1987. The elimination of deficient technical manuals will have a positive impact on readiness and will reduce the number of equipment units requiring depot repair. These savings will be realized starting in FY 1988 and will continue to grow as the backlog of deficient manuals decreases. Increased funding and end strength is also budgeted to support the expansion of the Buy Our Spares Smart (BOSS) program. This will increase the number of spare parts to be broken out to competition from 14,200 to 23,000 and will increase the level of contracts awarded on a competitive basis by 9.4 percent over the FY 1986 level. Increases in engineering will remedy design deficiencies and provide specifications for repair of weapons, ship and aircraft systems. Funding also reflects the transfer of Base Operations Support costs from RDT&EN industrially funded activities to O&MN, as directed by Congress.

Training, Medical and Other General Personnel Activities provide training and education, medical care, and related support to Naval personnel. Increases for training and education are required for: specialized skill training for A and C school curriculum expansion and upgrade, and cost share transfer from the Department of Energy for nuclear power plant operations instruction; flight training TA4J maintenance contract; pilot training rate increases; technical training equipment installation; and major computer upgrades and replacements of laboratory equipment at the Naval Academy. Growth in Medical Support provides for an increase to support the Uniformed Services Medical Treatment Facilities. Within General Personnel Activities, increases in recruiting and advertising are provided to counter the recruiting difficulties being experienced and to increase accessions to counter a projected decline in the retention rate.

Administration and Associated Activities include funding for staff offices of the Secretary of the Navy and the Chief of Naval Operations and provides service-wide support in the financial, legal, and personnel areas. Increases are primarily for: development and support of military manpower and personnel systems; the payment of the Federal employee compensation bill; manpower resource initiatives which document shore establishment workload and manpower requirements; and renovation of Navy accounting systems to achieve GAO standards.

Support of Other Nations provides funding for the Latin American Cooperation Program, emergency medical travel, and the Technology Transfer Program. Funding continues at the same level budgeted in FY 1986.

For NIF and Stock Fund Support offsetting amounts are budgeted to reflect planned and actual funding provided through rebates from industrial and stock funds. A decrease in rebates is projected in FY 1987 since certain FY 1986 rebates reflected one time savings.

OPERATION & MAINTENANCE, NAVY RESERVE

The Operation and Maintenance, Navy Reserve FY 1987 request of $975.9 million is $63.2 million above the FY 1986 appropriation of $912.7 million. Of the increase, $46.0 million is price growth and $11.3 is a transfer of functions from other appropriations. The remaining $5.9 million is a summation of program increases and decreases throughout the appropriation which are necessary to support more modern reserve forces and a higher Selected Reserve strength.

The appropriation consists of three budget activities:. Mission Forces, Depot Maintenance, and Other Support. In FY 1987, Mission Forces funding will provide for the operation and maintenance of 44 Naval Reserve Force ships and for an average of 591.5 operating aircraft with 250,124 flying hours. Also included in Mission Forces is funding for four regular ship overhauls, twelve Selected Restricted Availabilities, four Phased Maintenance Availabilities as well as intermediate level maintenance of ship equipment and selected support, operation of special combat forces, and fleet operational support to NRF ships. The Depot Maintenance budget activity provides funding support for the Reserve aircraft rework program and related engineering support services. The Other Support budget activity encompasses support for various command and administrative activities. In addition to funding headquarters operations, "Other Support" includes funding to operate and maintain six air stations, two air facilities, sixteen readiness commands, and one Naval Support Activity as well as 256 other installations supporting the Naval Reserve Forces.

Significant changes in several program areas displayed in chart 4 are discussed below.

CHART 4

OPERATION AND MAINTENANCE, NAVY RESERVE

(IN MILLIONS OF DOLLARS)

	FY 1985	FY 1986	FY 1987	FY 86-FY 87
AIR RESERVE FORCE	282.3	319.4	329.9	+10.5
SURFACE SUPPORT FORCE	11.5	13.7	11.4	2.3
SHIP OPERATIONS	43.4	47.4	63.8	+16.4
SHIP MAINTENANCE	122.0	173.8	153.5	-20.3
FLEET SUPPORT & COMBAT CRAFT FORCES	6.9	8.9	11.4	+2.5
AIRCRAFT REWORK	137.8	161.6	164.3	+2.7
CONTRACTOR TECHNICAL ENGINEERING SERVICES	9.9	9.9	10.2	+.3
BASE OPERATIONS, MRP & MANAGEMENT HQ	193.2	210.1	215.2	+5.1
RECRUITING & ADVERTISING	9.6	15.4	16.2	+.8
OTHER	7.0	47.5	0.0	+47.5
TOTAL O&M,NR	$809.6	$912.7	$975.9	+$63.2

The Air Reserve Force and aircraft rework programs provide for increased air forces readiness in support of a more modern mix of aircraft (FA 18, F 14, A 7E, P 3 mod, and F 21/KFIR) and the Squadron Augment Unit program. The flying hour program increases by 5,063 hours over the FY 1986 level.

Ship operations reflect an increase of 3 FFG 7 class ships, 1 FF 1052 class ship and 1 MCM 1 class ship in the Reserve program as offset by the inactivation of 1 minesweeping ship (MSO), and an increase in reserve ship operating tempo from 14.7 to 21 days per quarter. The increased operating tempo is necessary to accomplish underway training and exercises to establish an acceptable of readiness for the active and reserve crew of the modern Naval Reserve Force ships. The increase in shipyears from 35.0 in FY 1986 to 42.2 in FY 1987 also contribute to the requirement for increased ship operation funding.

The Naval Reserve ship maintenance program decreases in FY 1987 as a result of the ship maintenance cycles requiring fewer overhauls and phased maintenance availabilities.

Base Operations continue to grow as the Naval Reserve improves its management and support for the growing Selected Reserve which increases from an average SELRES strength of 134,508 in FY 1986 to 147,500 in FY 1987. Recruiting and advertising increases in FY 1986 to build the higher SELRES and TAR strength levels.

The increase in "Other" listed on Chart 4 is primarily due to accounting transactions to reflect the FY 1987 NIF and fuel price stock fund rebates.

CIVILIAN MANPOWER

Civilian manpower comprises a vital segment of the Department of the Navy's manpower resources, with the majority being directly related to our readiness posture. End strength levels for DON civilians are shown below in chart 5.

CHART 5

CIVILIAN MANPOWER SUMMARY

	FY 1985	FY 1986	FY 1987	FY 86 FY 87
Total Department of the Navy	352,860	340,761	340,493	268
Navy	330,466	318,645	318,377	268
Marine Corps	22,394	22,116	22,116	0

The FY 1986 and FY 1987 civilian manpower estimates reflect the Department's intent to execute the Navy and Marine Corps' expanding mission and scope of operations without increasing civilian manning levels. The Fiscal Year 1987 estimate incorporates numerous adjustments to accommodate changing program requirements, but no growth in total end strength is represented. The Department has been able to provide for its requirements by reflecting the continued aggressive pursuit of manpower economies and efficiencies, with major savings attributable to the Commerical Activities and Efficiency Review Programs.

In FY 1985, the Department completed Commercial Activities cost comparison studies on 2,800 civilian positions with total savings of some 1,600 positions, either through decisions to convert to more cost effective contractor performance or through implementation of "most efficient organizations" for those functions which remained in the public sector. These savings have been incorporated in our estimates. The Department plans to study approximately 5,000 military and civilian positions each year in FY 1986 and FY 1987. In accordance with Congressional direction, no adjustments have been made for anticipated contracting out decisions.

The Department is also reflecting end-strength savings from implementation of the Efficiency Review program, in which in-house functions excluded from study under OMB Circular A-76 are being reviewed to develop Performance Work Statements and "most efficient organizations." The FY 1986 and FY 1987 estimates incorporate projected savings of about 900 in FY 1986 and an additional 1700 in FY 1987 based on planned efficiency reviews.

The end-strength estimates for industrial fund activities incorporate reductions of 1,500 positions in FY 1986 and 1,400 additional positions in FY 1987 associated with DON initiatives to improve efficiency and productivity in industrial fund operations. These savings will be achieved through improved scheduling to achieve the most efficient working tempo, optimum use of overtime, reductions in overhead, and other measures.

The submission also incorporates civilian adjustments for DON initiatives to streamline organizations and program responsibilities, including the disestablishment of the Naval Material Command, and streamlining of operations within the Naval Systems Commands and under the Chief of Naval Education and Training.

Although the FY 1987 end year estimate has been established at virtually the same level as FY 1986, a number of adjustments and realignments have occurred. The following chart summarizes the major FY 1987 adjustments, arrayed by programmatic grouping. These programmatic adjustments reflect the effect of economies and efficiencies achieved under the previously mentioned initiatives.

FY 1986 ESTIMATE	340,761
Civilianize Military Billets	+1,969
Spares Procurement Initiatives (BOSS)	+379
Physical Security	+250
Naval Shipyard Employment	-2,675
Industrial Laboratories	-1,137
Naval Air Rework Facilities	-527
Military Sealift Command	+361
Other	+1,112
FY 1987 ESTIMATE	340,493
(NET FY 1986 TO FY 1987 CHANGE)	-268

Civilian staffing adjustments in FY 1987 will allow the placement of civilians in numerous positions currently filled by military personnel, thus allowing their diversion to more critical operational billets with a direct impact on readiness. Additional civilian positions will be dedicated to management and oversight of spares contracts, thus improving the integrity of our procurement operations. Additional civilians will be employed to improve the physical security of our bases and stations. Other adjustments have been incorporated in industrial activities to ensure that work force and workload are in balance. Manpower levels for aircraft maintenance, ship repair/overhaul and naval laboratories have decreased to match workload, while more manpower will be needed to man additional ships in the Military Sealift Command. Among other adjustments are increases to oversee our growing military construction/facilities acquisition programs, expanded ordnance workload, and requirements for classified programs.

It should be recognized that a majority of the civilian employees of the Department of the Navy are directly related to our readiness posture. Over half of the civilians work in industrial fund activities, which are primarily engaged in depot level maintenance and repair of ships, planes, and associated equipment. Many of the civilians employed at operation and maintenance activities such as supply centers, ship repair facilities, and Naval and Marine Corps air stations and bases contribute directly to operational readiness. The balance of the civilians provide essential support in functions such as training, medical facilities, and the engineering, development, and acquisition of weapons systems, which have a definite, although longer range, impact on readiness.

In summary, the Department of the Navy civilian manpower budget levels reflect the intent of the Department to execute its expanding mission and scope of operation without increasing the total number of civilian employees. The request provides for selected readiness and other essential support increases, and demonstrates a continued strong commitment to manpower economies and efficiencies.

READINESS INDICATORS

Readiness indicators give us a way of summarizing the effect of budgetary changes on the Navy's ability to respond when called upon. The readiness goal is to provide for operation and support of our existing forces that will permit the Navy to respond when, where and at the level required. As I reported last year, we are clearly on course in our readiness improvements. The FY 1987 budget request continues that course. The following charts depict budget indicators which reflect the same message of readiness improvement.

For ship operations, the FY 1987 budget request decreases as a result of fuel price and other stock fund price decreases, while accommodating force changes and additional operating months. The FY 1987 battle forces inventory includes increases of 19 ships, balanced by the retirement of 6 ships. Deployed and non deployed, operating tempo will continue at the FY 1986 level while reserve coverage increases. Chart 6 displays the factors in fleet operating tempo.

CHART 6

SHIP OPERATIONS TEMPO

(OPERATING DAYS PER QUARTER)

	FY 1985	FY 1986	FY 1987
ACTIVE FORCES			
DEPLOYED	53.6	50.5	50.5
NON-DEPLOYED	27.4	29.0	29.0
RESERVE FORCES	14.7	14.7	21.0

Chart 7 summarizes various categories of activity and levels of funding for maintenance and modernization of active ship forces. The number of overhauls included in the program remain constant at 37 in FY 1987 while phased maintenance and selected restricted availabilities increase by 47. Extensive survivability, hull silencing, and weapons upgrade modernization continue in FY 1987.

CHART 7

ACTIVE FORCE SHIP MAINTENANCE AND MODERNIZATION

(IN MILLIONS OF DOLLARS)

	FY 1985	FY 1986	FY 1987
SHIP OVERHAULS	2,393.4	2,348.8	2,312.7
RA/TA	1,330.7	1,258.7	1,565.1
MODERNIZATION	1,345.2	1,598.2	1,527.7
INTERMEDIATE MAINTENANCE	326.9	386.2	380.0
TECHNICAL SUPPORT	120.7	142.7	147.6
OUTFITTING	300.5	350.0	393.6
BERTHING AND MESSING	41.4	44.5	40.9
INACTIVATIONS (SALT)	28.8	0.0	0.0
NUMBER OF REGULAR OVERHAULS	55	37	37
NUMBER OF DEFERRED OVERHAULS	0	0	0

Chart 8 depicts Primary Mission Readiness (PMR) as a measure of aircraft operations. The flying hour program is budgeted for a Primary Mission Readiness of 87 percent in FY 1987, the same level as in FY 1985 and FY 1986. The flying hour program provides for 7 new squadrons (2 F-14, 1 E-2C, 1 SH-60B, 1 A-6E, 1 EA-6B and 1 S-3A) in FY 1987.

CHART 8

AIRCRAFT OPERATIONS

	FY 1985	FY 1986	FY 1987
PRIMARY MISSION READINESS*	87	87	87

* INCLUDES 2 PERCENT SIMULATORS

The various categories of activity and levels of funding for aircraft maintenance and modernization are displayed in chart 9. The primary readiness indicator used for aircraft material readiness is the Mission Capable (MC) rate. This budget reflects a slight increase in the mission capable rate from 73 percent in FY 1986 to 74 percent in FY 1987 and a continued improved full mission capable rate. Decreases in component rework are due to the stock-funding of aviation depot level repairable components begun in FY 1985 and continuing into FY 1987.

CHART 9

AIRCRAFT MAINTENANCE AND MODERNIZATION

(IN MILLIONS OF DOLLARS)

	FY 1985	FY 1986	FY 1987
AIRFRAME REWORK	$469.8	$484.9	$513.7
ENGINE REWORK	332.5	325.6	331.9
COMPONENT REWORK	638.5	107.2	58.2
MODIFICATION INSTALLATION	287.7	376.1	300.2
SUPPORT SERVICES	56.9	32.2	26.6
MISSION CAPABLE RATE	71%	73%	74%

I now would like to focus your attention on improvements in several Navy warfare communities. I am pleased to report to you that SSBN force readiness, the Navy's contribution to the strategic triad, is being maintained at an extremely high level. Virtually all SSBNs and SSNs not in overhaul are combat ready.

Turning to general purpose forces, the readiness picture is equally promising. Overall combat readiness of these forces has steadily improved, while at the same time, force structure has increased significantly. The downward readiness trend of the 1970s has been reversed, and the number of ships reporting combat ready has increased steadily. Since 1981 the average number of ships reporting themselves fully or substantially combat ready has nearly doubled. These improvements are largely due to the increased fiscal support provided by the Congress. This support has also permitted the Navy to procure sufficient numbers of repair items and stock them so as to increase time free of serious casualty reports. The support in personnel areas is also directly responsible for the reduction of ships reporting not combat ready for personnel reasons.

Focusing now on naval aviation, our air squadron combat readiness has improved in every category since the beginning of FY 1981. During the period October 1980 through October 1985, the squadrons reporting themselves fully or substantially combat ready increased nearly fourfold. Improvements in deployed squadron combat readiness are considered particularly gratifying; all squadrons now deploy from the continental U.S. combat ready. Budgetary actions in the FY 1981 - FY 1984 timeframe affecting military compensation have had a positive effect on the retention of trained and experienced flight crews. Recently, however, retention rates have dropped, and we will need to take steps to arrest any further decline that may affect readiness in the future.

Aircraft material readiness, as measured by Mission Capable (MC) rates, is up 20 percent since 1981 through FY 1985 acutals. And, based on FY 1987 budget projections will increase to 74%. This reflects increased funding for component and engine rework, more spare parts, as well as better manning in the aviation maintenance ratings.

Supply readiness for ships has also significantly improved since 1981. Shortages of repair parts and threat ordnance, while not totally alleviated, are reaching manageable levels and are continuing to improve.

The FY 1987 budget reverses the upward trend that non nuclear munitions (procured in the Weapons Procurement, Navy appropriation) has enjoyed since 1980. Due to program offsets and affordability, munitions funding declines 7.1% in real terms over FY 1986 expenditures. This negative growth will slow the attainment of objectives to well into the 1990's. Over the 1984/85/86 period munitions growth averaged 20%; over the current FYDP (1987-1991) real growth slows to 5%. Inventories however, continue to grow due to the two to three year lag between funding and delivery. Stocks are 5% to 60% larger today than in 1981. With the austere fiscal environment expected, continued congressional support for Navy munitions programs will be required. A depiction of our progress in munitions procurement is contained in charts 10, 11 and 12.

MUNITIONS REAL GROWTH

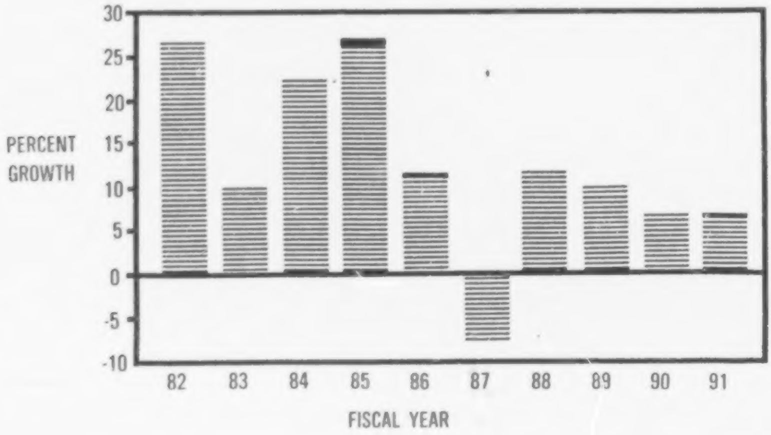


CHART 10

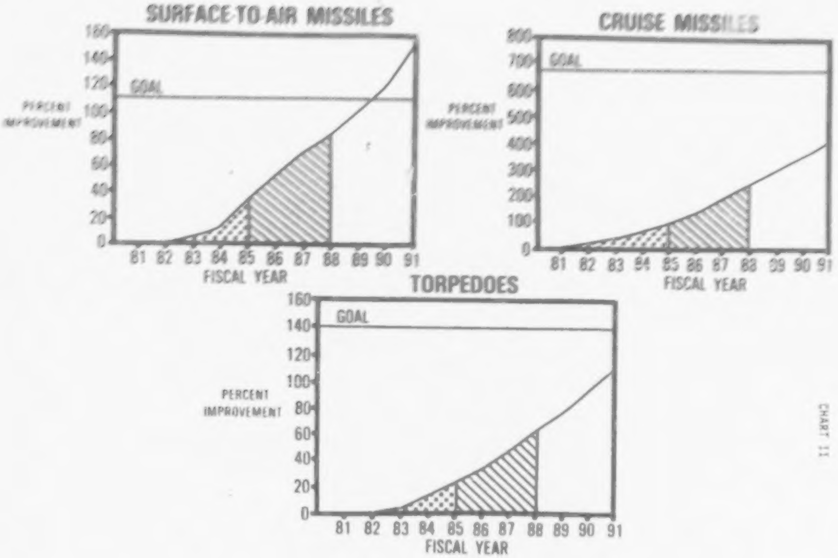


CHART 11

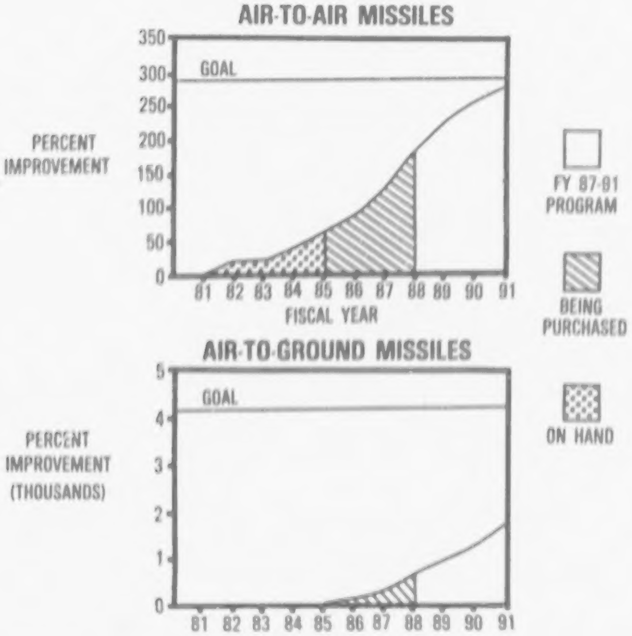


CHART 12

I appreciate this opportunity to describe the Department of the Navy's FY 1987 operation and maintenance budget and today's battle force preparedness. This budget is part of the building effort to achieve the warfighting capability necessary to meet the threat. We have, with very limited real growth, improved readiness and sustainability while continuing our progress toward a 600-ship Navy.

Mr. HUTTO. OK. Thank you, Admiral Taylor. And, General Went, you may proceed.

STATEMENT OF LT. GEN. JOSEPH J. WENT, U.S. MARINE CORPS, DEPUTY CHIEF OF STAFF FOR INSTALLATIONS AND LOGISTICS

General WENT. Thank you, Mr. Chairman, members of the committee. I will make the Marine Corps statement.

It is certainly a privilege to appear before you this afternoon to present the fiscal year 1987 Marine Corps operation and maintenance budget request. I do have a detailed statement that I would like to submit for the record, but at this time I would like to have the opportunity to make a few remarks.

Mr. HUTTO. Without objection; yes.

General WENT. First of all, I wanted to thank the members of the committee and the Congress for your strong support of our efforts to improve the military capability of the Marine Corps. The budget we have before you will enable us to continue along the road of full capability. But, I must point out one thing. None of the funding levels or program attainments included in our request have been adjusted for any known or presumed impact of the Gramm-Rudman-Hollings law.

With that brief, but essential, point out of the way, I would like to say something about the goals of this budget. The overall goal of the Marine Corps is readiness for combat. We believe the cornerstone of readiness is quality. We are recruiting and training quality men and women. We are endeavoring to provide a wholesome quality way of life for our marines, sailors and their families, and we are obtaining quality weapons and equipment, while we strive to keep them in the very best condition. All of these efforts, when coordinated in the right way, enable us to train, to deploy and employ a quality combat ready force.

Each of these areas is like a link in a chain, and we are well aware of the need to achieve balance to avoid any weak links. In a real sense then, what this fiscal year 1987 O&M budget is all about is balance.

The O&M budget before you provides $104.6 million in net program growth. We are asking for increased support in O&M, but we believe that this request is both reasonable and supportable. Our total fiscal year 1987 Marine Corps program is relatively unchanged when compared to the amount available for fiscal year 1986.

There is good reason for emphasis on O&M in our budget request this year. In the early 1980's, the Congress provided the Marine Corps with sorely needed funds to buy new weapons and equipment and build new facilities. For the most part, those weapons, equipment, and facilities are on line. We believe that our responsibility now is to focus our attention toward getting the most out of their operational capability, while preserving and enhancing our investment. Thus, the goal for O&M in fiscal year 1987 is to give balance to our overall program by providing our forces the funds needed for maintaining their weapons and equipment, carrying out challenging combined arms training, maintaining and repairing our real property, and improving quality of life for our marines, sailors, and their families.

Recognizing that we have received substantial increases in our total funding since fiscal year 1981, I would like to assure you that we have put those funds to good use. You will be pleased to know that our material and unit readiness is at an all-time high. We frequently test our readiness through realistic, integrated air-ground combat readiness exercises. The results of our quantitative readiness indicators and our combat readiness exercises give us a high degree of confidence that we have the ability to meet the sophisticated enemy on any battlefield. In short, I think you can share our confidence, and be sure that the American taxpayers are truly getting their money's worth for their investment in the Marine Corps.

I would now like to point out what is occurring in our Fleet Marine Forces and the supporting training, operating, and logistic activities that will result in increased operation and maintenance expenditures in fiscal year 1987 as compared to fiscal year 1986: $93 million of the $197.6 million increase in our O&M request is attributed directly to price increases, leaving a real growth of $104.6 million. The $104.6 million increase in real growth is attributed mainly to the following:

First, loading out of the third and final squadron of maritime pre-positioning ships, operations and exercises associated with the fully operational Maritime Pre-positioning Ships Program, and commencement of the first maintenance cycle on the equipment contained in the ships of the squadron that set sail last summer.

Second, full-scale efforts to attain our goal of completing the Land Pre-positioning Program in Norway by 1991, and the cost of transporting those supplies and equipment.

Third, a concerted effort on our part to substantially improve quality of life for our marines, sailors, and their families, and to slow down and ultimately reverse the growth in backlog of real property maintenance and repair at our installations. Concurrently, with these efforts we are experiencing an increase for maintenance and utilities for our new facilities and a need to make a reasonable investment in minor construction to improve and alter some of our old facilities.

Finally, we need O&M dollars to convert appropriate military billets to civilian personnel or contractor support where it has proven to be more efficient for commercial type functions.

To sum it all up, the Marine Corps is making a significant adjustment in the distribution of its budget authority in fiscal year 1987. For the first time since fiscal year 1981, our O&M request exceeds our combined procurement and military construction requests. In recent years, you have provided the funds for new weapons, equipment and facilities for our Marine Corps. These enhancements were urgently needed and we are, indeed, proud of what you have made available to us.

We still have not met all of our investment requirements, but we have an obligation to ensure that our new weapons and facilities are operated to their full potential and properly maintained. Our fiscal year 1987 request meets that obligation.

In this year's posture statement, the Commandant said, and I quote:

> Your Marine Corps is ready! It will remain ready because of our investments in quality: quality people, an improved quality of life, the finest weapons and equipment, and superb integrated training.

Your support in the past enabled General Kelley to make that statement. Your support of our present request will go a long way toward ensuring that future reports to the Congress by our Commandant will also reflect that upbeat tone. Thank you very much for the opportunity to appear here, and I will be prepared to respond to any questions you might have.

Mr. HUTTO. Thank you, General Went. General Godfrey, do you have a statement?

General GODFREY. No, sir. I do not.

PREPARED STATEMENT OF LT. GEN. JOSEPH J. WENT

I. INTRODUCTION

Mr. Chairman and members of the Committee: I am Lieutenant General Joseph J. Went, Deputy Chief of Staff for Installations and Logistics, Headquarters, U.S. Marine Corps. It is my privilege to appear before you and present the Marine Corps fiscal year 1987 Operation and Maintenance budget request.

To begin with, I am pleased that, like my predecessors in recent years, I can express the Marine Corps' gratitude to the members of the Committee and the Congress for your support of our efforts to improve the military capability of the Marine Corps. We feel this support has done much to enable the Marine Corps to fulfill its responsibility as our Nation's premier force-in-readiness. We trust we will be able to continue along the road to full capability. The request we have before you for fiscal year 1987 will enable us to continue the trends of the recent past, but I must point out that none of the program attainments and indicators of capability provided in this statement have been adjusted for any known or presumed effects of the Balanced Budget and Emergency Deficit Control Act of 1985.

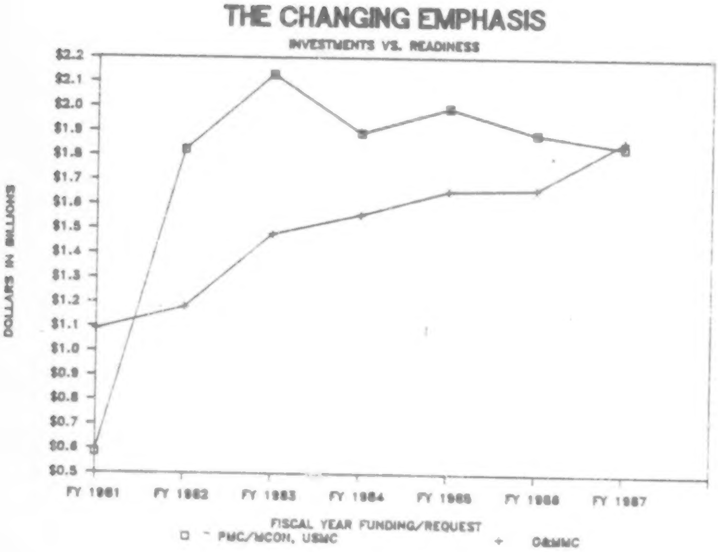
With respect to the structure of this statement, I will begin with a brief discussion of the goals of the fiscal year 1987 Operation and Maintenance, Marine Corps (O&MMC) budget; that is, what are the major objectives we expect to accomplish with the funds we are requesting? Second, I will review what we have done with the funds you have provided in the past, something in the way of a report on our stewardship. Next, I will provide the current status of the major programs funded wholly or in part by O&MMC and review what these programs have done, or will do, for the Marine Corps as well as discuss their current status. The Marine Corps fully recognizes that there is much more to effective program execution than simply spending the money as programmed. I will therefore also review some of the actions we are taking to ensure we obtain the most from available resources. I will follow with a detailed discussion of the entire request, program by program, and then conclude my statement with a brief summary and some closing thoughts.

II. GOALS OF THIS BUDGET

The overall goal of the Marine Corps is readiness for combat. Our readiness is built on quality: We recruit and retain quality men and women; we ensure a quality life for them and their families; we obtain and maintain the finest quality of weapons and equipment; we train to deploy and employ a quality force.

Maximizing our military capability with a given level of resources is a complex process. For example, military capability is not improved over time if we put our resources into new weapon systems to the extent that we neither have Marines on board who can operate them properly nor funds to maintain them adequately. It therefore follows that a primary objective of the Marine Corps is to achieve the best balance possible in our overall program.

In the first half of this decade, the Marine Corps procurement budget substantially exceeded O&MMC funding. Also, our Military Construction programs were significantly expanded. The weapons systems, equipment, and facilities obtained during this period are now coming on line, and they must be effectively operated and supported. The goals for O&MMC in fiscal year 1987 are to provide this support through necessary funding for maintenance of equipment, training exercises, maintenance and repair of real property, and programs to improve quality of life for our Marines.



The graph above demonstrates how our funding requirements are shifting from investment priorities to operations, training, and maintenance of our quality enhancements. The Operation and Maintenance appropriation request for fiscal year 1987 increases in real growth from fiscal year 1986. The Procurement, Marine Corps appropriation request for fiscal year 1987 declines in real growth. We firmly believe that this shifting program emphasis is essential if the Marine Corps is to make effective use of the hardware and facilities that are now on line, or coming on line.

III. STEWARDSHIP OF RESOURCES

The Marine Corps acknowledges that we have received substantial increases in total funding since fiscal year 1981. We would be remiss in presenting our fiscal year 1987 request if we did not discuss how we have used these funds; specifically, what we have done to improve our military capability. The Marine Corps has been following a long range conservative and deliberate pattern of growth in structure and manning since 1981 to support essential modernization. We have been able to recruit and retain higher quality Marines and to equip, train, house, and support them and their families in an acceptable manner. All measures of equipment and training readiness demonstrate that we are more capable than we were in fiscal year 1981. I will provide the specific details later, but I want to sum it up at this point by saying that today's Marine is more capable, better equipped, and better trained than at any time in our history.

IV. STATUS OF MAJOR PROGRAMS

The O&MMC appropriation essentially provides for the continuing support of our operating forces rather than being composed of discrete projects or programs. It does, however, fund some programs that have a separate identity, and I would like to highlight the major ones that impact on this fiscal year 1987 request.

Some of the most vital efforts the Marine Corps is engaged in relate to pre-positioning. Under the pre-positioning concept, the weapons, equipment, and supplies required to mount out and sustain an amphibious force are positioned either afloat or on land, in strategically important areas. Participation in the Near Term Pre-positioning Force (NTPF) program was the first such program for the Marine Corps. It was established in 1980 as a means of rapidly moving credible forces to distant locations. The NTPF material was located on ships in the Indian Ocean. U.S. Marine Corps participation in the NTPF is now totally phased out and was replaced in December 1985 by equipment located on Maritime Pre-positioning Ships Squadron-2.

The Maritime Pre-positioning Ships (MPS) program is now well under way. It is a permanent, vastly expanded capability compared to the NTPF program. The MPS program will provide the arms and equipment for three Marine Amphibious Brigades, each made up of nearly 16,500 Marines and sailors. MPS Squadron-1 became operational on 30 July 1985 in the Atlantic. MPS Squadron-2 became operational on 31 December 1985 in the Indian Ocean. MPS Squadron-3 is scheduled to become operational on 30 September 1986 in the Western Pacific. O&MMC supports the MPS program by providing for consumable supplies, exercises, and maintenance of equipment to ensure readiness, and periodic transportation of new equipment to modernize the pre-positioned package.

Additional pre-positioning efforts are continuing in Europe to strengthen our capability in the northern flank of NATO. The geographical pre-positioning program in Norway has been designed to provide rapid deployment to a vital area of a brigade-size, integrated air-ground team of approximately 13,000 Marines and sailors and over 150 aircraft. The clothing and equipment for this force are specifically tailored to extreme cold weather operations. This program has the full support of NATO and the Norwegian government, and Norway's contribution of first time equipment as well as adequate facilities has been a meaningful assistance to our pre-positioning requirements.

The Marine Corps instituted the Unit Deployment Program in 1977 to increase combat readiness and reduce personnel turbulence. Additional benefits of the program have included reduced permanent change of station (PCS) costs and improved family stability. In fiscal year 1987, there will be 44 units departing on 6-month unit deployments, including our infantry battalions and tactical aircraft squadrons. As a result of its success, we will expand the program to include four artillery batteries, one additional tank company, and one amphibious assault vehicle company.

Finally, I would like to mention a group of programs that fall into the quality of life category. First and foremost is our Real Property Maintenance Activities (RPMA) program, which has a tremendous impact on the quality of life for our personnel. It includes operation of utilities, other engineering support--pest control, janitorial services, fire protection, etc.--minor construction projects costing less than $200,000, and maintenance and repair of our facilities. I do not think I need to say much about the first two categories except that we expect the funds proposed for the operation of utilities and other engineering support areas in fiscal year 1987 will satisfy our most pressing needs. Our proposed funding in the other two RPMA areas does require a little more explanation. About this time last year we recognized that, with our emphasis on capital investments in recent years, we had not been devoting enough funds to maintenance and repair, or minor construction. As a result, we were not keeping pace with escalating requirements, and backlogs in both areas were growing. At that time, it was too late to alter the fiscal year 1986 funding levels in these areas. We decided, however, that we would increase funding in fiscal year 1987. The proposal before you fulfills that commitment. The added funding for minor construction will help control minor construction backlog, which currently stands at $35 million worth of essential projects. We will not be able to reduce the maintenance and repair backlog at the fiscal year 1987 funding level, but we should be able to slow its growth.

To parallel our efforts in maintaining our real property, we have garrison property accounts to provide furniture and equipment to improve and enhance our living and working areas. These accounts include personnel support equipment, food preparation and serving equipment, military construction collateral equipment, and minor property equipment. We currently have extensive programs underway at Camp Lejeune, North Carolina; Camp Pendleton, California; Marine Corps Development and Education Command, Quantico, Virginia; and at Camp Butler, Okinawa, Japan to improve the quality of life for our Marines.

We have no major new programs in fiscal year 1987.

V. MANAGEMENT ACTIONS

I would now like to discuss some of our efforts at achieving economies and efficiencies in the use of resources. First, I would like to point out that we are projecting a decrease in our fuel consumption by $4.1 million in fiscal year 1987. This projected decrease is in addition to the $3.7 million decrease in fuel consumption we will achieve in fiscal year 1986. These decreases are not related to oil price reductions, but are a result of an ongoing energy conservation program which we estimate will save us an additional $1.1 million in fiscal year 1987.

In our fiscal year 1987 base operations programs, we are saving $1.1 million through the Efficiency Review Program, half as a result of actions to be effected in fiscal year 1987 and the remainder from full year effects of our fiscal year 1986 Efficiency Reviews. The Marine Corps' Commercial Activities (CA) program will save $2.4 million in fiscal year 1986 as a result of civilian personnel conversions or reductions, and fiscal year 1987 should see even higher savings. Equally important to the Marine Corps is the fact that some of the reviews of billets occupied by military personnel lead to those billets either being contracted out or converted to civil service. While such actions create an additional cost to O&MMC, the military personnel are freed up to return to the operating forces or fill other critical shortages.

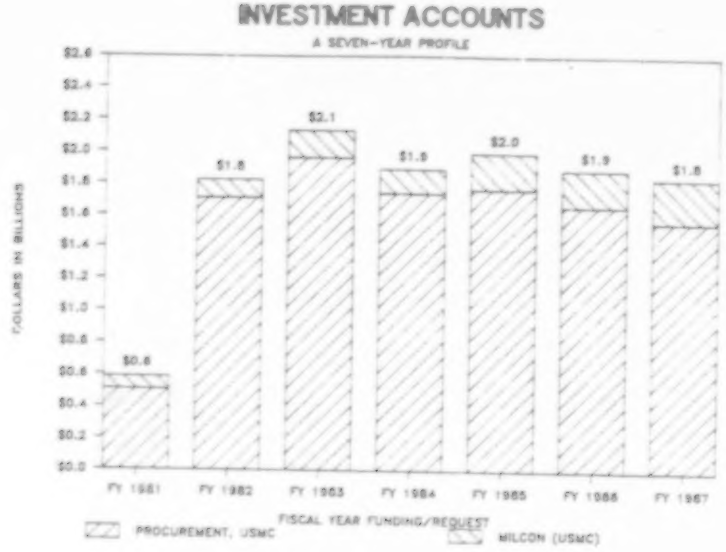
The Marine Corps is also actively engaged in the Defense Regional Interservice Support (DRIS) program. We have recently completed a review of all Marine Corps DRIS agreements to determine the extent of our involvement with other government agencies. Currently, the Marine Corps is providing services to other Government agencies under 286 agreements valued at $38 million. In 399 other agreements, the Marine Corps is the recipient of $10 million worth of support.

Further, the concern for work force excellence is reflected in the increased usage of engineered performance standards in measuring productivity.

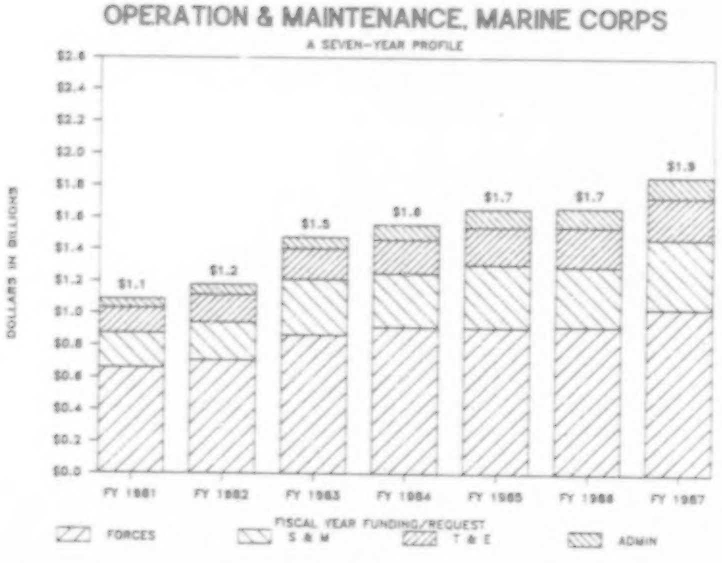
VI. DETAILED DISCUSSION OF O&MMC REQUEST

A. Introduction

The Congress and the American people have made a large investment in the Marine Corps over the last six years to improve our force structure, to modernize our equipment and facilities, and to enhance our readiness and sustainability. The new force structure since 1981 is designed primarily to support new systems in the procurement pipeline. The investment in equipment and facilities is graphically portrayed in this chart showing the Procurement, Marine Corps and the Marine Corps' portion of Military Construction,

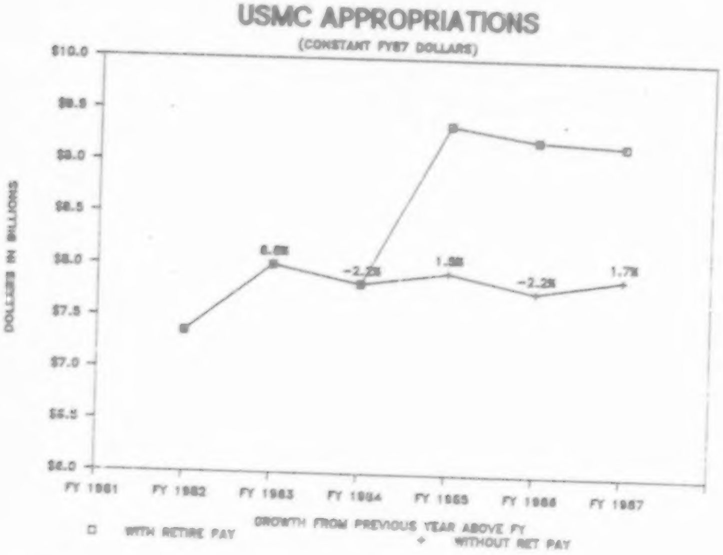


Navy funding over the last six years. For comparison, the chart that follows outlines the Operation and Maintenance, Marine Corps funding by budget activity over the same period.



Capital investments have leveled off and are declining because of our commitment to recruit and retain good personnel to man the force structure. Similarly, we believe that we must train our Marines and units to exploit the capabilities we have attained and that we must maintain and use the valuable enhancements in equipment and facilities gained. The Operation and Maintenance, Marine Corps funding requested for fiscal year 1987 necessarily reflects these requirements.

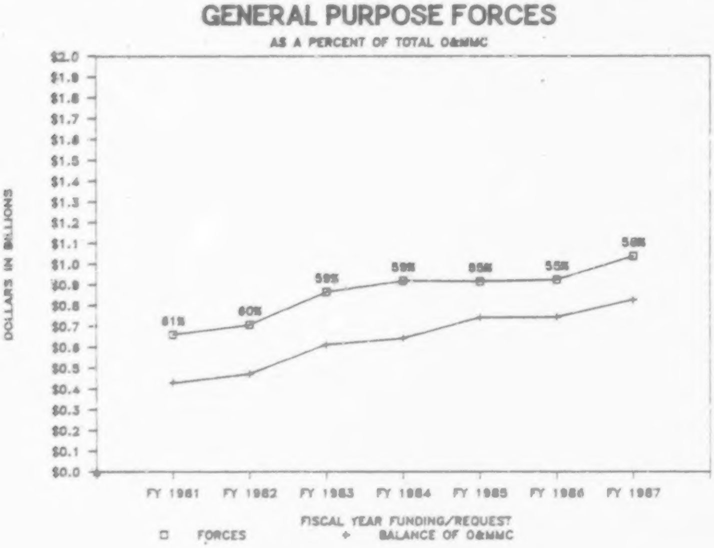
Our O&M funding leveled off in fiscal year 1985 then decreased in real terms in fiscal year 1986. On the other hand, the Marine Corps has invested heavily over the last six years to modernize and improve our combat capability. To operate, support, and properly maintain this investment, the Marine Corps is requesting a net growth of $104.6 million over the current year, fiscal year 1986, in programs in the operation and maintenance account. This increase in O&M funding in 1987 will enable us to adequately recruit, retain, train, and maintain. The O&M increase is offset by decreases in other appropriations, as shown in the graph below.



I will now outline for the Committee, by budget activity, our fiscal year 1987 Operation and Maintenance funding request.

B. General Purpose Forces

The Marine Corps is prepared for any contingency to do what has to be done, to do it right, and to do it now. This emphasis on readiness necessarily means a continuing focus on the requirements of our operating forces. The following graph demonstrates the priority and emphasis we place in allocating our available dollar resources to the General Purpose Forces budget activity for fiscal year 1987.



In the preceding graph, the funding for Budget Activity 2, General Purpose Forces, is compared against the remaining balance of Operation and Maintenance funding. In this, and the charts to follow, the fiscal year 1987 level reflects the current request.

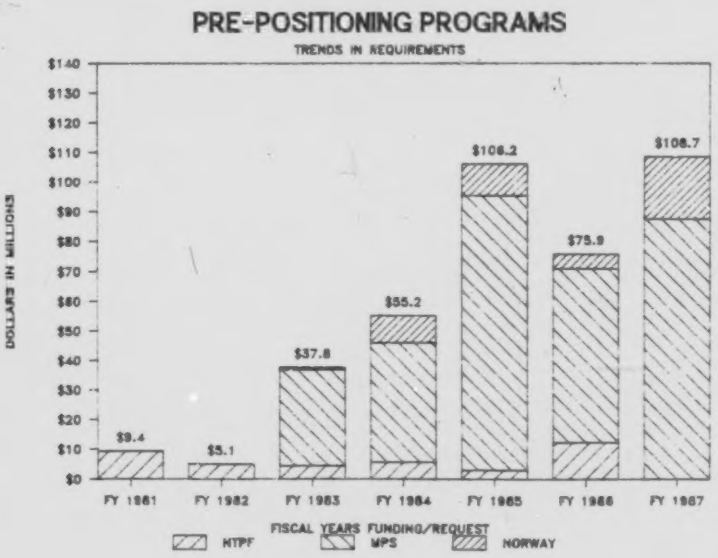
New and different types of equipment; enhanced deployment and employment capabilities; and required facilities to house, train, maintain, and care for our equipment and forces drive the request for funding.

The Maritime Pre-positioning Ships (MPS) program is a unique and strategically significant enhancement to our Nation's ability to signal resolve or deploy combat forces in times of crisis. The program is an adjunct to our amphibious role; yet the uniqueness of the program, from loading the equipment and supplies, to maintaining the combat readiness to off-load and exercise the MPS squadrons, all necessitate additional Operation and Maintenance funding.

During fiscal year 1987, the Maritime Pre-positioning Ships program will be augmented by the addition of two Aviation Logistics Support Ships (TAVB's). Each of these ships will provide an aviation intermediate maintenance activity to support the aviation combat element of a Marine Air Ground Task Force (MAGTF). Funds are required to provide for the essential exercising of these new units.

Finally, some of the requested funding will provide for training exercises for Maritime Pre-positioning Ships brigade-sized MAGTFs. This requirement is generated by the need to train the third MPS brigade in fiscal year 1987, which is the first year in which this brigade will have its materiel loaded aboard assigned ships and available for deployment. These funds include travel costs associated with development and implementation of MPS operating concepts and orientation of fleet commands to the uses and capabilities of the MPS program.

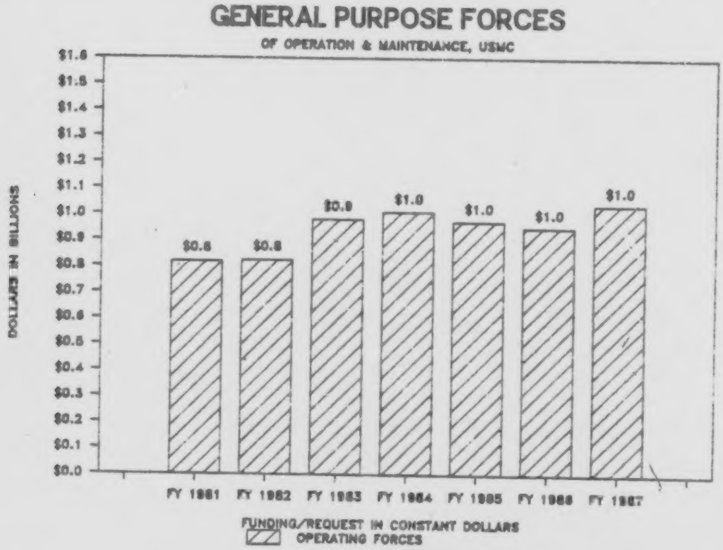
The graph and table that follow depict the total O&MMC funding profile for the pre-positioning programs.



($000)

PROGRAM	FY81	FY82	FY83	FY84	FY85	FY86	FY87
NTPF	9,443	5,129	4,467	5,715	3,100	12,334	-
MPS	-	-	32,671	40,379	92,453	58,712	87,679
NORWAY	-	-	701	9,088	10,666	4,901	20,984

In maintaining our emphasis on "teeth" rather than "tail," we have sustained continued growth in our general purpose forces. The following graph depicts this concept in funding priority, depicted in constant dollars.



The General Purpose Forces base operations program supports the base operations of Marine Corps Bases Camp Lejeune, Camp Pendleton, and Camp Butler; Marine Corps Air-Ground Combat Center, Twentynine Palms; Marine Corps Air Stations Cherry Point, Beaufort, New River, El Toro, Tustin, Yuma, Kaneohe Bay, Iwakuni, and Futenma; and Camps Smith and Elmore.

Base operations funding for these support installations is generally for costs of a recurring nature. The funds provided a station commander must be managed so that installation requirements for operation and maintenance are met in the most economical and effective manner. The installation commander is afforded flexibility in administration within materiel allowances, personnel ceilings, and broad policies established by the Commandant of the Marine Corps. The recurring costs have been increasing due to the greater tempo of operations and training driven by the efforts to enhance readiness. The upkeep and repair of our facilities have been particularly demanding of additional resources. Funding is required for recurring and nonrecurring maintenance and repair of all Marine Corps real property. Timely repairs, preventive maintenance, and routine service work are required on a continuous basis to maintain habitability, prolong the life of the facilities, forestall deterioration, and to protect the Government's investment. Minor construction of new facilities and improvements or alterations to existing facilities are required as a result of essential new functions, introduction of new weapons and equipment, changes in facility utilization, and modifications of older facilities to meet current standards. Maintenance and repair and minor construction efforts provide the quality in our working and living environment that we need at our bases and stations.

"Quality of Life" is a necessary ingredient to sustain morale and show our hard working Marines that we care. Funding is required for replacement, renovation, and upgrade of food preparation and serving equipment. The new equipment items will reduce food waste in processing, preparation, and serving to result in time and labor savings. To improve safety in all Marine Corps bachelor officer and enlisted quarters, we are asking for funds for the procurement and installation of smoke detectors. Smoke detector protection is virtually nonexistent in bachelor quarters in the Marine Corps. Smoke detectors are recognized as one of the most effective devices available to provide for fire safety.

C. Central Supply and Maintenance Activities

This budget activity encompasses the operations of the two Marine Corps Logistics Bases (MCLBs) at Albany, Georgia and Barstow, California. However, the supply and maintenance activities at these two bases support Marine Corps-wide readiness and sustainability.

Supply depot operations (SDO) are conducted at both bases. The mission of the supply depots includes the following: receipt, storage, care-in-storage, inventory, issue, preservation, packaging, packing, and shipment of equipment and supplies; processing, recording, and control of materiel requests and receipt documents; scheduling movement of materiel including rate verification and preparation and processing of bills of lading, and other transportation documents; and assembly and disassembly of sets, kits, and chests, collateral materiel, and end-item components. Marine Corps Logistics Base, Albany, also provides inventory management and distribution of classified and unclassified Marine Corps publications.

The Logistics Center at MCLB, Albany, conducts operations for the Inventory Control Point (ICP) program. Its mission is to perform weapon systems or equipment support and secondary item management, including requirements determination for assigned materiel; provide the initial range and depth of repair parts, special tools, test equipment, and publications required to support new equipment; exercise technical direction over the primary and specialized direct support stock control elements of the stores distribution system; and worldwide mail order of uniform clothing support.

Two other programs within this budget activity closely relate to Supply Depot and Inventory Control Point program operations. The Equipment Maintenance program funds the depot maintenance, major repair or rebuild, and modification of Marine Corps ground equipment. Repair or rebuild is accomplished on a scheduled basis to maintain the materiel readiness of the equipment inventory necessary to support the operational needs of the Fleet Marine Force. Items programmed for repair are screened to ensure that a valid stock requirement exists and that the repair or rebuild of the equipment is the most cost-effective means of satisfying the requirement. This program is closely coordinated with the

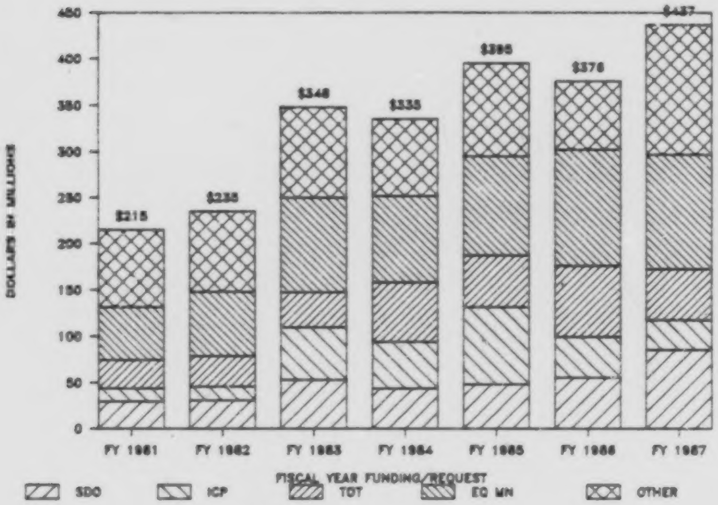
Procurement, Marine Corps appropriation to ensure that the combined repair and procurement program provides a balanced level of attainment of inventory objectives for major equipment.

The movement of this equipment and materiel, as well as new equipment and supplies, is funded within Transportation of Things (TOT). This program funds the transportation of Marine Corps-owned materiel and supplies by the most economical mode that will meet in-transit time standards in support of the Department of Defense Uniform Materiel Movement and Issue Priority System. All resources in this program are utilized to reimburse industrially funded or commercial transportation carriers for transportation services. This program finances all costs related to first and second destination transportation of cargo to the operating forces overseas and within the continental United States (CONUS), as well as pre-positioning of Marine Corps materiel and equipment at overseas locations. The significant decrease in funding requested for this program is primarily the result of reduction in transportation charges related to the Maritime Pre-positioning Ships program and completion in fiscal year 1986 of the efforts associated with the return of Near Term Pre-positioning Force equipment to CONUS.

The funding required for Supply and Maintenance Activities for fiscal year 1987 is a continuation of fluctuations since fiscal year 1983, as shown in this graph, which have been caused by cyclic requirements of the pre-positioning programs.

Program increases in Central Supply and Maintenance Activities are primarily attributed to the needs of the geographical pre-positioning effort in Norway and contractor or FMF maintenance operations for the MPS program. Funding is required for receipt and preparation for shipment of the Marine Amphibious Brigade (MAB) materiel scheduled for pre-positioning in Norway; to support transportation costs associated with the programmed increase in the amount of equipment and supplies scheduled for delivery to Norway; and for procurement of unit supplies and equipment, specifically unit property and consumables and unit support items.

CENTRAL SUPPLY & MAINTENANCE ACTIVITIES



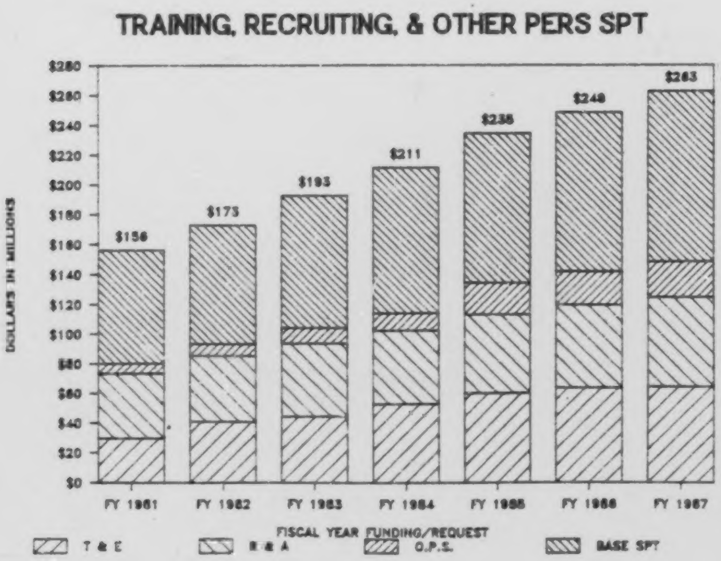
The Maritime Pre-positioning Ships program requires funding for procurement of supplies and equipment for modernization, replacement of shelf life items for MPS-1, and biennial maintenance support for the equipment and supplies on 7 of the 13 MPS ships. Additionally, funding is required for contractor maintenance operations for the MPS program. These funds will continue shipboard maintenance onboard all three MPS squadrons as well as the biennial maintenance cycle.

Current regulations require that American flag merchant ships be recertified as seaworthy every two years. This action requires the complete unloading of the Maritime Pre-positioning Ships' cargos. The Marine Corps will use this off-load period to perform required maintenance and inventory tasks precluded by shipboard restrictions. Funds to support this evolution will pay for leasing of port facilities, port services, stevedoring and port handling, travel, transportation, and maintenance costs incurred in the performance of the biennial off-load of seven of the MPS ships. We plan to use our experiences gained from the first biennial cycle for MPS-1 as a baseline for future maintenance cycle periods to determine whether an extended period between maintenance cycles is feasible and appropriate.

The base operations and base communications program packages in Central Supply and Maintenance support the base operations of Marine Corps Logistics Bases at Albany, Georgia and Barstow, California. These program packages provide essential administrative and staff functions such as office services, motor transport operations, maintenance of real property, minor construction, and other engineering support. The operations include, in the administrative services category, such functions as installation financial and military or civilian manpower management, automated data processing and related systems support, printing and reproduction services, and installation safety and legal services. Requested funding has remained relatively stable from previous requests, even though the tempo of operations at Albany and Barstow has increased.

D. Training, Recruiting, and Other Personnel Support

This budget activity can best be discussed by dividing it into four subcategories: Training and Education, Recruiting and Advertising, Other Personnel Support, and Base Operations and Communications. The graph that follows displays the historic funding profile for these categories and includes the requested funding level for fiscal year 1987.



1. Training and Education

As the tools of our trade have become more technologically advanced and specialized, as today's battlefield has become more complex, and as we have improved the manning of our force structure, demands for training have grown. Yet, as noted in the previous graph, the funding request has remained relatively stable over the last three years. The high quality of our new Marines--both officer and enlisted--is a prime reason for this stability. Their education level is higher and they are better prepared to face today's technological challenges.

Funding in training and education will permit the support of current training loads. Training proficiency will be continued at an acceptable level; adequate materials and serviceable equipment will be available to conduct all phases of application; training requirements set forth in programs of instructions will be met; and graduating students will be qualified in their military occupational fields to perform their assigned duties. Also, our request will adequately support requirements for recruit organizational clothing, replacement of organizational equipment, administrative and janitorial consumable supplies, computer assisted training aids, travel and per diem, professional books and literature, tuition, book and fee charges at civilian institutions, and printing and reproduction of individual training material and schedules, to include correspondence courses. Flight training is funded by the United States Navy.

2. Recruiting and Advertising

We continue our unwavering efforts to obtain high caliber young men and women for our enlisted and officer ranks. In fiscal year 1985, we met or exceeded our goals in every officer accession category. For our enlisted Marine recruiting goals, we nearly exceeded 100% in every category.

The resources in this program support our efforts to recruit sufficient numbers of quality men and women, officer and enlisted, to achieve required force levels. While we must have quantity goals, a principal objective of the Marine Corps is to obtain quality recruits. Emphasis on quality will help reduce first term non-expiration of active service attrition and will increase combat readiness of our Fleet Marine Forces. The recruiting effort is organized on a total force basis that tasks the individual recruiters to procure personnel for both Regular and Reserve forces. This budget request subdivision also provides for advertising that encourages face-to-face contact between the prospect and the Marine recruiter. Advertising is structured to use all conventional media in delivering Marine Corps impressions, with direct mail and magazines used primarily as lead-generating media.

Our request supports our continuing requirement to search for and recruit "a few good men and women." This search is becoming harder as the number of qualified applicants declines.

3. Other Personnel Support

Funding for this subdivision will pay for off-duty education of Marine Corps personnel; 80 Marine Corps Junior Reserve Officer Training Corps (MCJROTC) units; the United States Marine Band; and Marine prisoners incarcerated at the Army Disciplinary Barracks, Fort Leavenworth, Kansas. Funds will finance 75% of tuition and fees in off-duty education; provide pro rata share of pay for 160 military MCJROTC instructors; and support requirements for instruments, recording equipment, supplies, and printing services. Also included is reimbursement to the Veterans Administration for the Marine Corps' share of the Veterans Educational Assistance Program (VEAP). There is only a minor program increase requested for fiscal year 1987. This increase is requested for salaries associated with the establishment of three new MCJROTC units, a Marine Corps Band concert tour of 25 days, and an estimated increase in VEAP costs.

4. Base Operations and Communications Support

This program supports base operations at Marine Corps Recruit Depot, Parris Island, South Carolina; Marine Corps Recruit Depot, San Diego, California; Marine Corps Development and Education Command, Quantico, Virginia; base operations functions of Marine Barracks, Washington DC; and the real property maintenance activity at the 1st Marine Corps District, Garden City, New York. Base operations and communications funding is generally for costs of a recurring nature. All operations are planned to provide only essential functions required for recruit, specialized, and professional training. Levels of supply are within allowances prescribed by the Commandant of the Marine Corps.

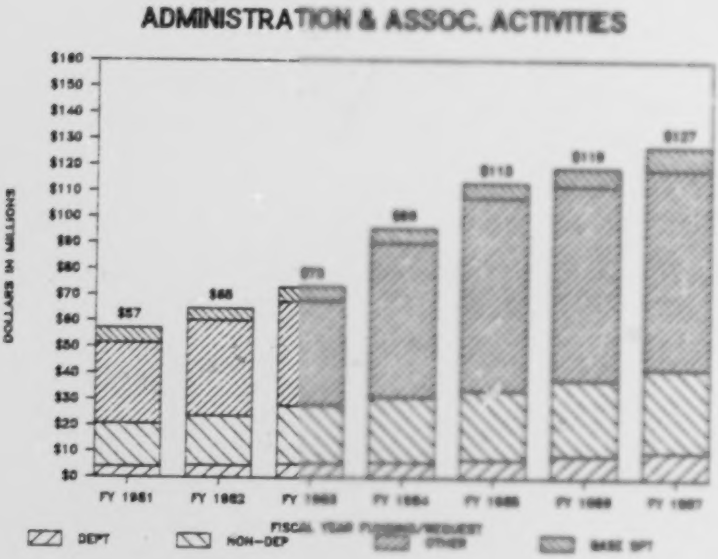
Program increases requested for fiscal year 1987 are required for recurring and nonrecurring maintenance and repair of Marine Corps real property, minor construction projects, and improvements or alterations to existing facilities as a result of new functional responsibilities.

Additionally, funding is required for the conversion of military personnel to civilian or contractor support in support of the Commercial Activities Program. Once a cost comparison has been completed, the military personnel will be returned to the Fleet Marine Force (FMF) or other critical areas, and either in-house civil service personnel or contractor personnel will be hired. Also, the decision to go to direct award for those functions performed exclusively by military personnel, without the requirement for a cost study, will accelerate the conversion of military to civilian personnel.

E. Administration and Associated Activities

The world is becoming more complex; combat requirements have become more demanding and dictate more accurate and timely information. To formulate plans and policy, and administer this growing complexity, Marine Corps management must operate with greater capability through productivity improvements. The program growth requested in this budget activity reflects these requirements.

The funding profile for this budget activity is displayed in the following graph.



Program growth is related to systems design and development, replacement of obsolete computer support equipment, end-user computing equipment, and procurement of software and contractor maintenance of new equipment in support of automated information systems. The Administration and Associated Activities base operation and communications programs finance support of Headquarters Battalion, Headquarters, U.S. Marine Corps and Air Facility operations of the Marine Corps Development and Education Command, Quantico, Virginia, which provide for the administrative support for the military personnel assigned to Headquarters, U.S. Marine Corps and Marine Helicopter Squadron One (White House support), respectively.

Requested funding will also help to maintain real property and fund quality of life enhancements for these activities.

VII. SUMMARY

In recent years, the Congress has authorized and appropriated the funds to provide new weapons, equipment, and facilities for your Marine Corps. These enhancements to Marine Corps hardware and facilities were urgently needed, and we are indeed proud of what you have made available for us. Although we have not met all our investment requirements, we are acutely aware of our obligation to ensure that our new weapons and facilities are operated to their full potential and properly maintained. In recognition of this obligation, the Marine Corps is making a significant adjustment in the distribution of its total obligational authority in fiscal year 1987. For the first time since fiscal year 1981, our O&MMC request exceeds our combined procurement and military construction requests. While this adjustment constitutes a major shift in emphasis for our fiscal year 1987 program, we are convinced it is the correct course.

The fiscal year 1987 O&MMC budget contains funds that are needed to operate and maintain the weapons, support equipment, and facilities that we are acquiring during this decade. Our Operation and Maintenance request represents a real increase over fiscal year 1986 funding, but the fiscal year 1985 and 1986 O&MMC programs were, in real terms, basically level with fiscal year 1984. The increase in the O&MMC funding request is offset by a decrease in other Marine Corps appropriations for fiscal year 1987. We need the funds requested to train our quality Marines and units to operate effectively with our new materiel coming on line, and to properly care for our existing facilities and equipment.

In his posture statement for fiscal year 1987 the Commandant stated: "Your Marine Corps is ready! It will remain ready because of our investments in quality: quality people, an improved quality of life, the finest weapons and equipment, and superb integrated training." Your past support of the Marine Corps enabled the Commandant to make this positive, confident statement. Your support of our fiscal year 1987 Operation and Maintenance request will go a long way toward ensuring that future posture statements also conclude on an upbeat note.

Mr. HUTTO. We now will begin our questioning. Admiral Hughes, I applaud you all for your fine statements and for the good statements you are doing. I forgot what you call this program where you inspect the aircraft so that they do not have to be given the full overhaul—what do you call that program?

Admiral HUGHES. Aircraft service periodic adjustment [ASPA].

Mr. HUTTO. OK. Has your safety record been as good since you have adopted that program?

Admiral HUGHES. Yes. Really, we have improved our safety record over the last year.

Mr. HUTTO. Improvement.

Admiral HUGHES. Yes, sir.

Mr. HUTTO. That is good to hear. How about the loss of naval aviators? I know that was a big problem—the airlines seemed to gobble up a lot of our aviators—has that eased off any, and what is the prospect of retaining our naval aviators?

Admiral HUGHES. Yes, Admiral Taylor you want to go ahead and address that?

Admiral TAYLOR. Sir, we still have a problem, and we are losing more than 500 pilots a year. Our pilot retention was 56 percent in fiscal year 1984. It dropped to 53 percent in 1985, and we anticipated that it would be 48 percent in fiscal year 1986. It is not our area of expertise, except that it does impact. We have to train more pilots—put more into the pipeline in order to keep the inventory up where it has to be.

Mr. WHITEHURST. Will the chairman yield on this?

Mr. HUTTO. I will be happy to yield.

Mr. WHITEHURST. This is a very good question. I am glad that the chairman has raised it. Is there any difference in retention of our aviators, between the east and west coast? Have you noticed, I mean, are you losing, is it hemorrhaging equally on both coasts, or are you getting more problems with west coast fliers or Atlantic coast fliers?

Admiral TAYLOR. Well, I would like to provide a definitive answer for the record if I may, Congressman, but I—from a gut feel, and from last year's observation—estimate the exodus was greater on the west coast than it was on the east coast, principally because it was tied to the long deployments without liberty in the Indian Ocean, where in the Atlantic Fleet we get to make the ports in the Mediterranean. Additionally, I would say that the level of activity and the real interest in the real world, ongoing in the Mediterranean at this time, has spurred an awful lot of interest. So therefore, it is my impression that retention in the Atlantic Fleet may be higher both because there is a real purpose and mission that can be seen in incidents down in the Gulf of Sidra, as well as the liberty ports. It is a nice balance, it is the way that naval aviators love to have it right now. Make a little liberty in Palma and Cannes and then go down and look the Russian in the eye.

Mr. WHITEHURST. You know, I think that might be helpful to have that information.

Admiral TAYLOR. Yes, sir.

[The following information was received for the record:]

PILOT RETENTION

Due to retention calculation methods, pilot retention is not captured by fleet, or location; the data is based on the aggregate for the pilot community. Overall pilot retention increased from FY 1981 to FY 1983, followed by a slight decline through FY 1985, with a further decline projected for FY 1986, as the following chart shows:

Pilot Retention

Fiscal year:	*Percent*
1981	42
1982	49
1983	58
1984	56
1985	53
1986 (projected)	48

Note: Above figures represent losses as a percentage of pilots who have met their minimum service requirement (MSR) two years earlier. The two-year time period is taken into account because most pilots are on shore duty at their MSR and have one or two more years at shore before returning to sea. It is important to focus on the fact that, even though pilot retention is not as strong as in the FY 1983/1984 timeframe, we are still well ahead of the very low retention rates of pre FY 1981. The success is attributable, to a great extent, to the initiation of the AOCP program. DOD has a legislative proposal in the FY 1987 President's Budget to provide even greater incentives in the AOCP package so that recent loss trends might be reversed.

Mr. WHITEHURST. Not just for us, but for your own people as well, the planning that you do; if it really has that dramatic impact on retention, the cost of training a naval aviator being what it is, perhaps some revision can be made in deployment to Pacific. I am not sure exactly how you do it, there is not much to see in the Indian Ocean. But, if it would enhance retention certainly it should bear looking at.

Admiral TAYLOR. I would use this opportunity to put in a pitch for the success of the Aviation Officers Continuation Pay (AOCP) Program which is the bonus program, and I will provide some details on how successful that has been over the past year as well.

[The following information was received for the record:]

[AOCP PROGRAM]

In FY 1985, new payments for AOCP cost $3.7 million measured against a plan of $3.9 million; it should be noted that the low budgeted funding levels recognized the anticipated problems concerning aviator retention. The following chart shows the acceptance rates for pilots and Naval Flight Officers (NFO's):

	1985		Rate (percent)
	Eligible	Accepted	
Pilot	508	180	35
NFO	231	108	47
Total	739	288	39

In addition to the regular AOCP program parameters, a lump sum option was offered to TACAIR pilots in FY 1985. Of 297 eligible pilots, 77 opted for lump sum, or 26%.

It should be recognized that the AOCP program does induce experienced aviators to remain on active duty, and their retention does result in other savings such as lower aviation mishap rates and averted training costs. The savings realized by preventing the loss of just one fleet aircraft offsets the AOCP program costs for two years. Also, the training costs avoided (at $1 million per aviator) by the retention of just 15 TACAIR pilots offsets AOCP costs for one year. DOD has a legislative proposal in the FY 1986 President's Budget to provide even greater incentives in the AOCP package so that recent negative trends in the rate of acceptance can be reversed.

Mr. WHITEHURST. Thank you, Mr. Chairman.

Mr. HUTTO. Thank you. Admiral Taylor, let me refer you to chart 3, the last O&M item on Navy industrial funding and Navy stock fund support. Would you please explain the significant decrease in rebates for fiscal year 1987? How much of it are one-time savings, and what are some examples of one-time savings?

Admiral TAYLOR. Yes, sir.

Mr. HUTTO. And, how much are programmatic cuts due to policy changes influencing civilian manning at our shipyards and naval air rework facilities?

Admiral TAYLOR. If I may, I brought along my Deputy, Bob Storey, who is an expert on the industrial fund, and could I ask him——

Mr. HUTTO. Yes.

Admiral TAYLOR [continuing]. To provide you the details there?

Mr. STOREY. In the fiscal year 1986 Congressional Review, there were a number of reductions made to stock and industrial funds that reflected one-time fiscal year 1986 experience. Those were handled as rebates, enabling a reduction to the TOA provided in the Appropriation Act. For example, the additional cash that was built up as a result of lower than budgeted fuel prices was paid back to the O&M appropriations in lieu of additional TOA. As a result, the O&M appropriation had a lower appropriation, but not lose actual programs.

We have set fuel rates in fiscal year 1987 in recognition of the fact that fuel savings have already occurred. Therefore, those are one-time savings in fiscal year 1986. The same situation exists for industrial funds.

Mr. HUTTO. OK. Thank you. One other thing that is admittedly parochial—we all have to be parochial, but, in so doing, we are interested in the well-being of the Navy, too. I have a special interest in component work, and on chart 9, I cannot quite understand the lowering of the figure so significantly from 1985 to 1986 to 1987. Can you explain that chart? In fact, the comment before it says, decreases in component rework due to the stock funding of aviation depot level repairable components begun in fiscal year 1985 and continuing into fiscal year 1987.

Admiral TAYLOR. Sir, we show a reduction in the component repair line and the dollars for components in the BA-7 depot maintenance Budget on the basis of what is happening with our aviation depot level repairables. We have placed the responsibility for the repair of aviation components with the Navy stock fund and transferred funding to requisition component items from the stock fund to the fleet users. The reduction you see here reflects that migration of funds.

Mr. HUTTO. OK. You mean there is less work to do on the components? Make that a little more clear if you will.

Admiral TAYLOR. Yes, sir, I will try.

Mr. HUTTO. You mean, you are buying new components instead of repairing?

Admiral TAYLOR. There is the same amount of work, basically. What we have done is transferred responsibility for funding aircraft component repair from one area of the budget to another.

Mr. HUTTO. OK.

Admiral TAYLOR. The Navy stock fund is financing the component repairs at the naval air rework facilities.

Mr. HUTTO. OK, and it is something like the NIF, is that right?

Admiral TAYLOR. It would be similar, yes, sir. It is a revolving fund.

Mr. HUTTO. So the unit would be paying the NARF's for the component work, is that what you are saying?

Admiral TAYLOR. Yes, sir. The users pay the stock fund for material when they need it and the Navy stock fund finance components repairs in the NARF's.

Mr. HUTTO. Mr. Whitehurst, do you have further questions?

Mr. WHITEHURST. Just a few. Thank you, Mr. Chairman. Let's go back to fuel oil prices for a minute. I raised this issue yesterday afternoon with the Army witnesses—have you projected the kind of savings you might get if the price of crude goes below $15 a barrel?

Admiral HUGHES. Mr. Whitehurst, we operate on what we call a "stabilized rate," and DLA, Defense Logistics Agency, on the first of October of each year, establishes a rate per barrel. As far as our budget goes, that is, the Navy's budget submission—we pay that to DLA during the year. If they accumulate a surplus of dollars because of the cost of oil to them, then they wind up accumulating a balance of dollars in their fund. They will then reduce the following year the cost of fuel accordingly, rather than having each Service up and down every time you order a barrel of oil, having a different price, and not having your budget match what you are using and what you are paying.

So, I think, really, what you have to do is to ask the Defense agencies and OSD what the accumulation of funds will be. We really do not have a handle on that.

Mr. WHITEHURST. Thank you. That makes sense, a very logical way to handle it. I guess on this subcommittee, we are always looking for some place to find a cushion, and frankly that is the only bit of lining I see on the cloud this year, and we were looking, well, if we could make some savings there, we would—if we had cuts we were looking at, that is where we would take them, because that is where the money would be.

Admiral HUGHES. Well, I think it is absolutely right, that there will be an accumulation of obligational authority there over time, in the DLA fund, but from the standpoint of the service fund, you just pay the standardized price no matter what happens.

Mr. WHITEHURST. Maybe we can get our hands on it in some way. Let me ask you about munition shortages. This was a real problem 7 or 8 years ago. Do you still have to cross-load ammunition the ships?

Admiral HUGHES. We are still cross-decking ammunition, yes sir. We have increased our ammunition significantly. Really, the Navy's sustainability account has more than doubled its share of the budget, from 4 percent to almost 10 percent today, since 1980. The real growth in sustainability since 1980 could be characterized about 135 percent real increase and almost three times the overall total obligational authority TOA growth, so we have invested a very significant amount of money in munitions.

Now, there is a production leadtime required, and our increased inventory is always over the horizon, but we see it increasing right now. Just for some figures, if we were to look at threat ammunition, in our air-to-air missiles, we expect to achieve combat ship-fill in fiscal year 1989. That takes into account all of the leadtimes for production.

Plus, there is also a slowness for new weapons; you know, you just do not come out and get them all filled up at IOC.

Mr. WHITEHURST. Does that put an end to cross-loading then? Is that what you are suggesting?

Admiral HUGHES. It is different for each commodity. For instance, in air-to-air weapons, ship-fills will be attained in fiscal year 1989. For surface-to-air missiles, we really have that now. We have a ship-fill now. For torpedoes, fiscal year 1990. For cruise missiles, fiscal year 1988. So, it varies with commodity.

Mr. WHITEHURST. What would be the effect of Gramm-Rudman on that program?

Admiral HUGHES. It depends on how it is translated.

Mr. WHITEHURST. Well, if it were done by sequestration, where you just go across the board and just hack at it?

Admiral HUGHES. Well, if you take an across-the-board cut, you know, if you talk about a 10-percent cut, that will clearly hurt us.

Mr. WHITEHURST. Admiral, the reason I am raising this, and I guess I am kind of leading the witness as it were, in getting you to say these things—they need to be said. Because, if we are faced with Gramm-Rudman and all of its dire realities, the message needs to be taken to the President and, indeed, to the marketplace, of what the effects are going to be upon our military forces.

Frankly, it does no good to talk about numbers and percentages. That does not mean anything to anybody outside. It does not mean a heck of a lot to me, as a matter of fact, and I have been around here a long time. What we need to do is to put it in terms that everybody understands, and they need to know—people understand, for example—you tell them you are sending a ship to sea, and you do not have enough missiles to defend it.

That is a very, very visual picture.

Admiral HUGHES. I understand.

Mr. WHITEHURST. And, the same thing applies to other ordinance. I like to cite the example, which is my favorite one, that everytime the National Guard comes up here now they look at me now, and they think "chemical clothing," because I have been riding and beating this horse for the last 4 years. But the fact of the matter is that the Guard in this country has one suit of clothing for every soldier and they ought to have two. We have got two for the active forces in Europe, but they do not have two for the Guard.

And, you tell people that you are going to send these boys overseas, and they have all got friends in the Guard in the neighborhood, and they can identify them that way. They are going to go, if there is a national emergency, into battle, lacking a basic piece of equipment. That upsets them. I want them to feel the same way about the other services and their needs as well. And that is why this subcommittee got formed in the first place, 6 years ago, was to address the needs—the petitions that were made to members when they went in the field, indeed, the witnesses like yourself who came to the full committee and told us about them. This is of real concern to me.

Let me just pick a favorite topic of mine, and I will yield to my colleagues who are here, and that is the flying time. You touched upon this in your statement, and you indicated that the flying hours this year would be, I believe you said, the same as last year, is that correct, in projecting for next year?

Admiral HUGHES. The PMR would be, yes, sir; 87 percent of what their syllabus is, and that has been steady from 1985, 1986, and 1987. We intend to maintain that.

Mr. WHITEHURST. Let's take a fighter pilot at Oceana, which is kind of close to home for me, and these lads fly F-18's and F-14's down there—how many hours a month does that mean that those men will be flying, training?

Admiral HUGHES. Let me pass this over to Admiral Taylor.

Mr. WHITEHURST. Admiral Taylor?

Admiral TAYLOR. The PMR will remain at 87 percent and aircrews will fly about 25 hours per month per air crew.

Mr. WHITEHURST. You say, PMR?

Admiral TAYLOR. Mission readiness; they are getting 25 hours per month.

Mr. WHITEHURST. That is fine. That is what they are getting right now?

Admiral TAYLOR. Yes, sir.

Mr. WHITEHURST. If they are flying 25 hours a month, that is fine. They will shoot the pants off the other guy, no question——

Admiral TAYLOR. Yes, sir.

Mr. WHITEHURST. How about the Marine Corps, General Went?

General WENT. Same thing.

Mr. WHITEHURST. Same thing?

Admiral TAYLOR. It has taken years.

General WENT. It is Department of the Navy.

Mr. WHITEHURST. OK. Excuse me? There is sequestration? Let me yield to counsel for a second.

Mr. EASTMAN. Yes, Admiral, can you tell us what the—an estimate of the sequestration in 1986 is going to do to flying hours for fiscal year 1986?

Admiral TAYLOR. Well, we are going to decrease the PMR by 1.4 percent so that we will be dropping it down. We will probably lose on the average, if you work that out, about an hour of flight-time per pilot, per month. Then if you apply that to the missions a pilot flies, he is going to be down in what he can do. And, the way they will manage that in a squadron, is to, without impacting safety reduce a particular mission that that multimission squadron would normally be expected to take care of.

Mr. WHITEHURST. That explains it very well, sir. It is an erosion, it is uncatastrophic, you can deal with it. But, you cannot deal with much of it.

Admiral TAYLOR. You are absolutely right, sir. And, what will happen is, if you continue, you would have to say, we are going to have to give up our all-weather capability, or we are going to have to give up our night capability. And, so, you are going to reduce the mission capability, and then you become—really, you will get down to be a fair-weather only capability.

Mr. WHITEHURST. I could not have said it as well.

Admiral TAYLOR. You cannot pick fair weather for your war, can you?

Mr. WHITEHURST. No, sir, and cheers for you for spelling it out. This is what needs to be said, and we need to be aware of the consequences of it. I will yield to my colleagues; there are a number of great questions here.

You all are giving good testimony, and this has been very helpful.

Mr. MARTIN. Will the gentleman yield to me just to clear something up in my mind? That the gentleman from Virginia brought up.

Mr. WHITEHURST. Yes.

Mr. MARTIN. With respect to this stabillized rate established by the DLA for your fuel, what is that rate? Is that a per barrel rate?

Admiral HUGHES. Yes. It is a per barrel. You know, I think—let me see if I can give you a figure. In fiscal year 1985, for instance, for JP-5 it was $42 per barrel, and in 1986, it was $36.54; and in 1987, the stabilized rate is $33.18. That is for a refined product.

Mr. MARTIN. OK. So, that is what you are marking against when you try to put your O&M budget together?

Admiral HUGHES. Right. But, if you adjust it down, you know, a lot of other different prices prevail; like maybe reclaimed oil, goes from $31 to $20 to $18 a barrel; it depends on the exact product that you are looking at.

Mr. MARTIN. OK. So, that is what you are going to be paying the Navy O&M, to DLA, irrespective if the price goes to $3 a barrel on crude oil?

Admiral HUGHES. Yes, sir.

Mr. MARTIN. The Government would be saving money, but out of our O&M function, you do not show any savings in that until the next year when you project again and they have a new scale?

Admiral HUGHES. DLA will give us a new price which will reflect—they will average out what they anticipate the use to be, and average out whatever the stock fund has built up in that period of time, and reduce the new rate accordingly.

Mr. MARTIN. I am sorry I understand it now, because as we try to do things and you know, you try to establish some priorities, and obviously O&M is a high priority now, not only for us on the committee, but I think for the last few years, not just this subcommittee, but the full committee and the Congress as well, we are looking for places and setting those priorities between this and procurement and R&D and Milcon and everything else. That does not give us much running room. It gives you no running room.

Admiral HUGHES. Well, with all due respect, the process of the Gramm-Rudman is something that is liable to frustrate any sensible priorities because of the application of it; conceptually, I understand, and agree with the threat—the national objective to reduce the deficit; the mechanism and the process leaves a lot to be desired. If you have to take an even cut across everything—you cannot leave a wall out of a building, if I have got a 5 percent cut.

Well, you cannot take a ship and say I will not put a rudder on it, but that is, you know, the application that is being looked at—it is a straight across-the-board percentage application rather than a priority.

Mr. MARTIN. Thank you.

Mr. HUTTO. Mr. Ray.

Mr. RAY. Thank you, Mr. Chairman, Admiral, gentlemen. It is good to have you here today. Your budget, I think, I assume, had the Gramm-Rudman sequestration applied to it before you brought it to us.

Admiral HUGHES. No, sir. No, sir, the fiscal year 1987 does not have the Gramm-Rudman impact.

Mr. RAY. OK. There is some talk in our full committee about us applying the sequestration cut just so that we will be in line and maybe can dictate those cuts ourselves, rather than have them to be automatic. I just wondered what would be your feelings about that.

Admiral HUGHES. Well, Joe, do you want to take that?

General WENT. Let me try to respond. If we start at the beginning, of course, the President has given the Congress a balanced budget, and we are a part of that balanced budget. Only if there are some adjustments to it in the Congress would we have to take some sort of reduction.

Mr. HUTTO. General, pardon me.

General WENT. We understand that you will, in fact, have to.

Mr. HUTTO. You do not really mean a balanced budget. You mean one to avoid Gramm-Rudman?

General WENT. One which would not trigger Gramm-Rudman.

Mr. HUTTO. Yes. Right.

General WENT. And, so, we need to establish at some point just what kind of trigger Congress might pull? What sort of reductions that might mean?

Mr. RAY. Well, if I might just make a comment here, if we do not—if Defense does not address sequestration then the domestic side, well they will just say, well, you know, we will be better off with sequestration. So, then they will just automatically let it fall in place. So, I think the point we are driving at is we would probably be a whole lot better if we could arrive and choose those very deep and painful cuts ourselves. So, that is what I am pointing out.

General WENT. Absolutely. I am not trying to avoid the question. I will come to that.

Mr. RAY. I know that.

General WENT. What I am leading to is there is going to have to be a reassessment of the whole budget at that point in time when we have some notion as to what sort of cuts we will be looking at.

Mr. RAY. It is right now. That is about all the time we have got. You know, we do not have much time.

General WENT. That comes to the issue, really, of balance, about which I made a great number of comments earlier. Gramm-Rudman takes an essentially equal percentage cut across the board which takes away any kind of flexibility that we have in trying to identify the lowest priority items in the budget, and scaling those down or eliminating them. It takes away any flexibility of getting at those things which, in our case, produce the highest rate of readiness.

If I can just use some examples such as the flight hour program, and the attainment of the ammunition levels that Admiral Hughes was talking about. We must pay attention to those things that contribute to combat capability and readiness and scale down those things which make a lesser contribution. Somewhere along the line we need some flexibility. It might very well be that that flexibility could come from this committee. It would be useful for all of us to be able to deal with the committee in some consultative way to identify lowest priority programs.

Mr. **Ray**. Well, it would be my opinion that O&M ought to have first priority—it takes care of the overhead that we already have for one thing, and I think if we leave it up to sequestration, it will probably eat into O&M too heavy, and we will see again airplanes without engines and such as that, so I would think that the overhead, the O&M, the spares, flying hours, the steaming, ought to be in place first. I would hope the overall committee can take that into consideration and cut other areas deeper than O&M.

I just want to make that comment. If I am reading it right, I may not be. I do not have quite as much experience as Mr. Whitehurst and others, and they might be looking at this a different way.

Let me ask another question or two. What do you think about the ability of the Marine Corps to continue to absorb O&M reductions with no change in force structure?

General **Went**. Again, it is a matter of balance. The committee will have some opportunity to address that issue in its proceedings because one of the things that we do is to ask for an increase in our strength in this budget submission. We are asking to go from a figure of 198,800 that is currently authorized, to a figure of 200,300. This requested increase of 1,500 raises the issue to the forefront.

Again, I would say that we want to look at the balance involved in any kinds of cuts that are triggered by the Gramm-Rudman-Hollings legislation. I think we probably could look at it from two perspectives. One, we in the Marines feel very strongly that it is men that win wars. It is the ability to win that probably keeps us at peace. So we are reluctant to tinker with our strength or our structure. Because of that so we would probably resist any effort of that sort. At the same time we would have to say that in the long run, if in fact, we must sequester funds in 1986 and if there is some similar or more severe sort of action in 1987 and years to come, then to maintain the kind of balance I am talking about, then certainly all areas would have to be looked at.

Mr. **Ray**. Well, thank you, General. And, thank you, Mr. Chairman.

Mr. **Hutto**. Mr. Spence.

Mr. **Spence**. Thank you, Mr. Chairman. Admiral Hughes, I was wondering if you have any figures on whether we are still saving money with the contracting out?

Admiral **Hughes**. For purposes of the record, I would like to take issue with the term, "contracting out." The objective of the program, an A-76 is not, in fact, to contract out, but to look for efficiencies within the Government. And, as a matter of fact, over the last 2 years, two-thirds of our studies have resulted in contracting in, in retaining in-house, the capability to do the work.

The Government, on an A-76 program, has an advantage of 10 percent, and the bidder has to beat that advantage of 10 percent or more to be chosen. Now, what we have really done, which I am really quite amazed and quite proud of, over the last few years, is to wind up contracting in two-thirds with a more efficient organizational arrangement. The first thing we do, procedurally, is to go to the unit and say, develop the most efficient organization, price that out, and then we will compete that against a commercial bid. A lot of times we win that in-house, because we cut within ourselves.

And, I think our experience is about a 15-percent gain overall.

Mr. HUTTO. Would the gentleman yield on that point?

Mr. SPENCE. Yes, sir.

Mr. HUTTO. Admiral—Senator Gramm would like to do away with the A-76 process, but what I hear you say is that it is a pretty good process, where you have the opportunity to determine really whether or not it can be done in-house, and whether or not you can achieve savings of more than 10 percent. But It seems to me that it has worked pretty good, and we recognize that there are some functions that could best be contracted out, but at the same time we think that it can be overdone on the contracting-out, and Mr. Nichols and I, particularly in conference, were head to head with Mr. Gramm, Senator Gramm, and he wants to contract out everything and do away with the A-76 process. You would not support that would you?

Admiral HUGHES. Oh, no, sir. Absolutely not. We spend a lot of time and my office happens to be cognizant of this directly, and I personally spend a lot of time on initially determining the categories of items that should be contracted out. And, we go through a couple of hoops that say, is this a military necessity, do we have to have a military man doing it? And, if so, we look for justification of why that is the case.

And, if we do the same thing for the civilian side—is it a mobilization responsibility that we have to keep for mobilization? For instance, a man working a propeller up in the Philadelphia Naval Shipyard—you just do not go out and find people who do that sort of thing, and you want to—you must retain that capability in-house for mobilization. When we categorize them, we then ask the units to go out over a period of time, and study, and come back. Before they study, they develop their most efficient organization, they then price that out, then they go out and ask for contractors to make offerings.

It has been, in my book, very successful. We can—you know, you can always quote figures in this business—but, for instance, of studies which resulted in retaining in-house last year, we retained 1,405 civilian positions and 26 military; and we had a savings, retaining it in-house, of $9 million last year, because they got more efficient. For those which were converted to contract, there were 1,124 and 852 military, and we had an annual savings of $32 million last year.

So, you know, we are talking about savings of people of somewhere over 3,000 people, and $41 million in a year. And, I think that we should not turn our heads away from that nor should we go overboard on it, which is the point you are making.

Mr. Hutto. Thank you, Mr. Spence.

General Went. Sir, may I comment on that?

Mr. Hutto. Yes, sir; General.

General Went. We like the process. Of the functions we have studied, we have probably kept in-house slightly over half. In each of those functions we have looked at, on the average, we have gotten about an 18-percent manpower savings. When we look at how we can perform the function and, essentially, we are bidding against commercial interests, the A-76 process has caused us to take a very hard look, and the net result is that we have turned out some manpower savings.

So, the process is a good one.

Mr. Ray. Mr. Chairman, will you yield just a minute, sir?

Mr. Hutto. Yes.

Mr. Ray. Admiral, Did the in-house savings result from reduced manpower?

Admiral Hughes. Yes, sir.

Mr. Ray. You actually just took those people off the payroll?

Admiral Hughes. No, not the people. Now, it is an important point, because what we have is a first right of refusal—that a person whose job is impacted by the commercial activities, not contracting out procedures, but looking at a commercial activity, has a first right of being hired if it is contracted out; that is, to go into that job. We also have a placement function which tries to put them into another job that they can be converted to.

Our experience last year was about—we probably had something less than 6 percent, maybe about 5 percent people, that actually lost jobs in the process.

Mr. Ray. Thank you.

Mr. Hutto. Mr. Spence.

Mr. Spence. If I have any time left, just one question, Admiral Hughes. I was wondering about the strategic home porting. Is that costing more than to leave these ships in the regular on-board, have you any figures?

Admiral Hughes. Yes, sir. When we went about the strategic homeporting, we set out with a few objectives that were quite clear. One objective was that we ought to disperse our forces more, that we had them cluttered too much in ports as we increased in size of the Navy.

Secondly, we wanted to have what we call, unit integrity, whereby we could put ships that operate together in the same port together, where they could have better training, and a better, rapid response if they had to go out.

We also looked at geographic advantages to put them closer to the foray, if you will, wherever it might occur, and we looked at industrial and logistical capabilities of the area. We would like to keep the industrial capabilities of the country as evenly balanced as we can—those that we need in war.

So, those were the objectives that we had militarily. You know, if you look at a place like Puget Sound, for instance, where we would like to put a carrier group we have, you know, without going into any classified details, many Trident submarines up there, we have all the attack aircraft essentially of the Navy, the A-6's, up at Whitby Island, a lot of force up there. No forces to protect that area.

You know, if it was another country, we would have a Hawk Battery at every corner, trying to protect that sort of an investment.

So, for strategic home porting—we knew that it would cost us probably of the order of about one-third more than if we did not do anything in changing home port. It would cost us that much more money. But, we would be buying a tactical advantage which we think is essential.

Mr. SPENCE. I understand. Thank you.

Mr. HUTTO. Thank you, Mr. Spence. And, on that point, Admiral, another consideration I guess is that the local home ports and states and localities are also providing a portion of that.

Admiral HUGHES. Yes, sir. We tried to minimize the impact on the federal budget by asking the local people to contribute, and it is quite impressive and heart-warming in all honesty, the way they responded.

Mr. HUTTO. Mr. Martin.

Mr. MARTIN. Thank you, Mr. Chairman. I just wanted to piggyback a little bit on what Mr. Ray said concerning priorities, and I hope, I am speaking, Mr. Ray, that Gramm-Rudman is for real, and if for whatever reason it were to be struck down on a constitutional basis or for whatever, that does not make any difference to my point of view, either, because we are going to be operating in the shadow of Gramm-Rudman. And, under the President's budget—came up here, hit the $144 billion target—lots of budgets come up from the White House, and let's face it, this one is not going to be the budget of the U.S. Government. We all know that.

And, I would certainly hope that, and it is not necessary, quite frankly, that they let us know exactly what it is, to be honest with you, General Went and Admiral Hughes, there had better be a fall-back position somewhere. Because, it is going to happen in a very short period of time. It is probably going to be happening even before an awful lot of people in Congress really understand what the big problem is, which relates to an awful lot of something particular which the general said, looking for a couple of thousand extra good men and women to complement the Marine Corps.

As we look at the choices that we have, whether it is O&M or R&D, or procurement, personnel, it takes an awful lot of cuts in R&D or procurement to get $1 in savings which is what the name of the game is. And, sequestration relates to the budget.

So, you get a 1 to 1 on the personnel as far as cuts are concerned, when the debt increases this year, well you might have to have a 3 to 1 or 4 to 1 over procurement and R&D. But, it is real and I hope you have a fall-back position. Hell, we will be back at three sheets per man per day if this thing goes the way that, you know, if full sequestration goes on. It is going to be "gawd-awful" and I think especially for personnel intensive services such as we have here.

Admiral HUGHES. Mr. Martin, if I may comment. I lived as the programming officer in the Navy through what we called the 693, 703, and 713—these were 1969, 1970 and 1971 reductions by the Nixon administration of $3 billion, essentially, each year. And, it was an outlay drill the same as we have right now. I think that the things that we did to meet the outlay requirements, the outflow from the Treasury, were really the beginning of the negative 1970's that we had where the military, the Defense Department, went to heck in a handbag.

And, I think that the points that you make about outlay and time element are self-created goals, if you will. You know, the fact that it is not smart to cut a procurement because you only get 10 percent the first year from outlays from cutting a procurement; therefore, go cut personnel, which is 98 or 99 percent and go cut O&MN, which is 83 or 84 percent the first year. That makes you do very, very "not smart" things, you know, it just pushes you in a wrong direction.

Mr. **Martin**. Well, it does, but we are operating in a very dumb atmosphere.

Admiral **Hughes**. You make the rules.

Mr. **Martin**. Nothing personally; collectively.

Admiral **Hughes**. No, collectively.

Mr. **Martin**. But, we made this unfortunate rule that people are now beginning to understand, and what I am saying is, you know, and I think I understand your problem, is you have to work a backup position because I think an awful lot of this is for real and is going to happen, and you know, I did not support the thing, because I think——

Admiral **Hughes**. Well, I did not mean that personally.

Mr. **Martin**. Responsible people did not. And, God be good to them, because, you know, we had to, you know, all our Government is going to shut down, but I want you to understand from my point of view and for what it is worth, that somewhere there ought to be a very drastic fall-back position, and if you think that that is improvident, you know, first year, try the second or third year, and then try to play catch-up.

I have a question that concerns me. Could you, for the record, give us an idea of the back-log maintenance and repair, real property—how are we doing as opposed to last year? Are we catching up, did we gain any, and then if you could extend that to the staff.

General **Went**. Yes, sir. We certainly would be glad to provide that for the record. Let me take a minute, if I may, to be a little more responsive. You are absolutely right. There has to be some sort of fall-back position. If I could set this in perspective, the President has reported to the Congress those funds that would be sequestered for 1986 and I think relatively, it probably is not unlike this for all services. Total funds to be sequestered for 1986 amounted to about $200 million in the Marine Corps.

[The following information was received for the record:]

General **Went**. During FY-1985, our backlog increased by about $65 million to an end of year level of $258.6 million. We project our backlog to increase even further in FY-1986, to $331 million. In FY-1987, we think the backlog will still go up, but only to about $357 million. We expect to achieve this slowdown in the backlog growth rate because the proposed funding level of $285 million will, for the first time in several years, come close to satisfying our projected annual requirements. This funding level does not include foreign currency fluctuation or Gramm-Rudman-Hollings reductions.

We took about $16 million of that out of the personnel account, as compared to about $79 million out of the O&M account. Essentially we did things in the personnel account that were relatively easy: we reduced the number of PCS moves, we will have some early releases, and those sorts of things. It does not yank the manpower, the body of people that we have, around in some drastic kind of way.

Now, while we recognize the need to do something quickly—and that certainly identifies what we need to do in 1986—and that we may be faced with making some quick decisions in 1987, certainly this will not come before fall probably. Without being speculative we would have to anticipate, with continuing resolutions in past years, that the likelihood for a continuing resolution is even greater with Gramm-Rudman facing us this year.

Similarly, we have to have some kind of heads-up on what the outlook is for the future, because you can make—in the short-term, adjustments to other accounts quickly and recover. With manpower accounts, when we get into the recruiting chains, and the training chains, and all those sorts of things, we are going to have to really sit back and carefully study that before we say, yeah, we will take an X-manpower cut in these areas.

We are going to have to go through it in a deliberate kind of a way, if it comes to reducing strength, so——

Mr. **Martin**. I certainly support the increased strength in the Marine Corps. Now, that does not does come as any great surprise to you; by the same token, I just kind of am thinking of what the pressure it puts on any increase, much less an increase——

General **Went**. I think we are well aware that whether it be Gramm-Rudman-Hollings or some other vehicle, that the Congress is certainly interested in getting at the deficit problem.

Mr. **Hutto**. One thing, General, that we are trying to avoid at this time, and it looks like that we may, because we are expediting the process, hopefully so that we will not have to go under continuing resolution, and we will know ahead of time whether or not Gramm-Rudman will be triggered and, if so, perhaps we can deal with it before we go home. I would hope so.

Let me follow up on Mr. Spence's question on contracting out. Admiral Hughes, do you have any figures—this is something that I have been trying to get a grip on for a number of years—but, for the last 2 or 3 years, say, on contracting out, do we have any follow-up statistics on what is being saved? It is our belief that oftentimes a contractor gets his foot in the door with a low bid, and then goes haywire and we start paying a lot more and we are not really saving in years following that. Do you have any information on that?

Admiral **Hughes**. Yes. I had that specifically looked at by my people, because the Air Force experienced that back in the 1979 timeframe; they were a little bit ahead of us in taking the initiative in this area. I found out about, I would say about 6 months ago in a sampling of our programs, just taking a group of them, that it really was pretty straightforward, that the increases in prices were related to the increases in workload or an increase in the inflation rate, something like that.

It is to my surprise, this whole CA Program, that it really is working pretty well. We have some disasters, believe me. We had some buses in Philadelphia that we contracted out, then the guys went defunct, and then we had lost the civil service people; we had a heck of a time getting the travel, the transportation going back. We do have those examples.

But, on the whole, it has been very straightforward. We had GAO do a look and out of 19 programs that they checked, 17 of them they found out were still saving money from what we originally set out. So I have a reasonable faith in it at this point in time.

Mr. HUTTO. OK. Thank you. Mr. Ray, did you have any more questions to ask? I did not mean to cut you off awhile ago.

Mr. RAY. No, that is all right. I did not yield to the cut-off, I am sorry. I would just like to say, we think it is for real, the House Administration has already cut. We have 18 permanent staff people. We have cut out $38,000 for 1986 and are looking at $100,000 for 1987, so we are living right in it. The committees have all been trimmed back over 4 percent in their—so, it is a serious situation, and we are just kind of facing up to it here, and just want you to know that it is going to be tough. But, we think it will work.

Admiral HUGHES. Yes, sir.

Mr. HUTTO. One thing that Mr. Ray has been heavily involved in, and this committee, as you know, 2 or 3 years ago, decided that it was much better to lift the civilian in-strength and let you folks manage. Now, you have a civilian in-strength, but could you tell me how you arrived at that? Was that because you managed the funds you have and came out with that, or what? And, if you would also answer, there has been talk that there is a hiring freeze on, but the Secretary of Navy indicated to me the week before last that that is not so.

If you would address those points?

Admiral TAYLOR. Congressman, what we do in the Navy is balance our program with people. We put the dollars and the number of people in to do the approved program. The freeze that we are undergoing now is unlike other freezes, and the reason that it is different is that this is a freeze imposed to ensure the spending on civilians is brought within the funding levels that have been approved by the Congress, and this is going to allow us to accomplish as much as possible of the approved program for 1986 with minimal impact on readiness. And, it is propitious that it came at this time because we hope it will preclude any requirement later on, as the 4.9 percent fiscal year 1986 Gramm-Rudman sequestration takes place, to furlough people.

So, we are very carefully managing the numbers of people it takes to do the program.

Mr. HUTTO. But you do not have a hiring freeze on now, do you?

Admiral TAYLOR. Yes, sir.

Mr. HUTTO. Navy wide?

Admiral TAYLOR. The Department of Navy has an across- the-board hiring freeze, with waivers. Certain cases go to the Secretary and they will make a decision on the real need.

General WENT. I think the issue that may be confusing is the freeze prohibits us, with the exception of humanitarian, health, safety, and programmatic billets, from hiring outside of the Marine Corps. So, within the corps we are only able to hire within our own

Department and move people around within our service. Recruiting from outside is prohibited at this point in time.

Mr. HUTTO. In other words, it is not a solid freeze; it is about 32 degrees or something like that? [Laughter.]

Admiral HUGHES. Well, it really is meant to control though, the type of things that Congressman Ray was talking about, that in anticipation of the problems that Gramm-Rudman will bring up, that we do not wind up in a traumatic personnel situation, where we have to just tell people not to come to work.

Mr. HUTTO. OK. We want to thank you gentlemen very much for an excellent hearing. And, we do have questions that we would like to present to you, and would ask for your responses for the record, please.

[The following information was received for the record:]

EMERGING O&M REQUIREMENTS

QUESTION. Admiral Hughes, since FY81 we have seen considerable growth in the investment accounts, much related to the emerging 600 ship Navy. There is a lag between the time we make investment decisions and the implementation of the O&M support tail as those investments come to fruition. Now we find ourselves in a tight budget squeeze dictated by outlay reductions with O&M being asked to make significant contributions to deficit reduction because it is outlay rich account. How is the Navy going to field and support a 600 ship fleet and its associated equipment if we have to squeeze that support tail?

General Went, would you comment on this subject as it applies to the Marine Corps.

General WENT. We'll have to reduce expenditures for real property maintenance, even though it is already constrained too much. For example we'll have to defer urgently needed minor construction work involving Quality of Life projects, and we'll have to defer maintenance and repair work, which will cause our BMAR to grow.

Additionally, we have made substantial investment in modernizing equipment and weapon systems within the Marine Corps. The growth in our O&MMC budget request reflects our requirement to maintain and support that investment. If we are asked to make a significant contribution due to the "budget squeeze," programs which support equipment maintenance and operation will be reduced. As an example, we have invested over $524 million in procurement of the Light Armored Vehicle (LAV). When the 330 active force LAVs are fielded, annual operation and maintenance support cost will be approximatley $12.5 million. Similarly, as we procure more HAWK, STINGER and TOW missiles additional O&M funds are required for missile inspection and surveillance. Estimated annual costs to operate and maintain the Logistics Vehicle System and HMMWV after complete fielding are $1.9 million and $11.5 million respectively. We will be unable to maintain a zero backlog at our depot maintenance activities, which will directly affect the readiness of our equipment. In addition, we may have to defer procurement of cold weather clothing, camouflage field jackets and chemical clothing.

In other words, the gains we have made by modernizing our forces would be jeopardized by our inability to maintain the equipment in a ready state, to train Marines to use the equipment and reduce our capability to procure initial issue items, such as chemical clothing.

FORCE STRUCTURE REDUCTIONS

QUESTION. If the Marine Corps was forced to accept FY-86 Gramm-Rudman magnitude type cuts in FY-87, could you do it without force structure reductions? At what point will continued O&M reductions leave us no alternative other than making force structure reductions? What do you think about the ability of the Marine Corps to continue to absorb O&M reductions with not change in force structure?

General WENT. Since the President's Budget as submitted is balanced and within fiscal ceilings, Gramm-Rudman should not be triggered in FY-87. Should changes cause a trigger and reduce any significant amount from our personnel proposal, there would be impact on the force, since most manpower costs are fixed. The amount of impact would depend on the timing and magnitude of the reduction.

QUALITY OF LIFE IMPROVEMENTS

QUESTION. Lieutenant General Went, what do you consider the most urgent Quality of Life improvements that the Marine Corps has a requirement to correct through increased O&M funding?

General WENT. Repairs to barracks, mess halls, and community support facilities. As of right now a backlog of work for more than 6 million dollars exists for these facilities.

EFFECTS OF GRAMM-RUDMAN

Question. Has there been any effect yet or do you anticipate any effect on Marine Corps training days as a result of the FY86 Gramm/Rudman sequestration?

Answer. To date, there is no indication from field commanders that the FY86 Gramm/Rudman sequestration of O&MMC funds has caused a reduction in battalion training days. It is reasonable to presume, however, that when the full impact of funding reductions in resource areas that support training takes effect, battalion training days will likely decrease. Some of the more important resource areas in the O&MMC account that are critical to battalion training days are transportation costs for military personnel and equipment, fuel costs, cost of repair parts and maintenance costs for vehicles, training ranges, and equipment.

REAL PROPERTY MAINTENANCE

QUESTION. Lieutenant General Went, would you comment on how the Marine Corps is coming with regard to reaching the Congressional containment level for Backlog of Maintenance and Repair (BMAR) of Real Property. Does your FY87 O&M request make any progress toward this containment level and if not, why?

General WENT. Our maintenance and repair requirements go up every year because of such factors as increasing inventory, complexity, inflation, aging inventory, and human and technological factors (higher standards, better inspections, etc.). Backlog of Maintenance and Repair (BMAR) has increased since FY83 because funds haven't kept pace with these increasing requirements. Our FY87 O&M request is a real improvement over FY85 and FY86, but it will only slow the rate of growth of BMAR.

CIVILIAN EMPLOYMENT LEVELS

QUESTION. The Marine Corps has requested an FY-87 increase in military personnel. If that increase is not authorized and the Marine Corps must use civilian substitution to free some uniformed personnel from present assignments in order to man new units and aircraft squadrons coming on line, what will be the O&M impact of that civilian substitution?

General WENT. Military and civilian resources are integrated in program development to provide maximum efficiency and avoid duplication of effort within fiscal constraints. The requested active duty end strength increase of 1,500 in fiscal year 1987 is needed to support documented requirements in the operating forces, generally.

The civilian program is level from fiscal year 1986 to fiscal year 1987 and is 3,000 short of documented requirements. As a result, there are no available civilian spaces to offset loss of our requested military strength.

MARITIME PRE-PROSITIONING (MPS)

QUESTION. General Went, can you give us a status report on the MPS program?

General WENT. At this time our program is progressing satisfactorily. We've deployed two of the three MPS Squadrons. Plans are going forward to load and deploy the third squardon during the May-September period of this year.

QUESTION. Are we making any significant savings with MPS?

General WENT. Yes. When the alternatives that would provide this same capability are considered, the savings are dramatic. Consider for example that it required 25 amphibious ships to deploy just the assault elements of a MAB. To field the entire MAB would require somewhere between 50 and 100 amphibious ships—a definite savings! To go even farther, if we were to attempt to deploy a MAB using just aircraft, it would require 4,500 C-141 sorties, taking many weeks or months, not to mention to the cost of the sorties.

QUESTION. Is there any alternative to some area of MPS that might produce savings?

General **Went**. There is no alternative, with the possible exception of geographic or land pre-positioning. Land pre-positioning, however, severely limits our ability to be flexible and it could put certain undesirable constraints on use by a host nation.

Admiral **Hughes**. Thank you, very much, Mr. Chairman and gentlemen. It has been a pleasure being with you.

Mr. **Hutto**. We appreciate each one of you being here. Thank you very much.

The Subcommittee on Readiness stands adjourned until tomorrow at 2 p.m.

[Whereupon, at 3:26 p.m., the subcommittee recessed, to reconvene at 2 p.m., Thursday, Feb. 20, 1986.]

TO REVIEW THE AIR FORCE OPERATIONS AND MAINTENANCE [O&M] ACCOUNT

House of Representatives,
Committee on Armed Services,
Readiness Subcommittee,
Washington, DC, Thursday, February 20, 1986.

The subcommittee met, pursuant to call, at 2:05 p.m., in room 2337, Rayburn House Office Building, Hon. Dan Daniel presiding.

STATEMENT OF HON. DAN DANIEL, A REPRESENTATIVE FROM VIRGINIA, CHAIRMAN, READINESS SUBCOMMITTEE

Mr. Daniel. The subcommittee will be in order. This afternoon we would like to welcome the Comptroller of the Air Force, Gen. Truman Spangrud and his new Director for Operations for the operation and maintenance account, General Swarts.

You gentlemen are in the unenviable position of trying to husband the most outlay-rich of the authorization requests in the era of Gramm-Rudman-Hollings. At this point in your execution of the first fiscal year 1986 budget, you have a pretty good feel for what the impact of the initial sequestration will be. That should give you some indication as to how this 1987 is likely to fare in its execution.

The O&M accounts with their immediate impact on the Air Force readiness are just now beginning to give us a return on 5 years' concerted effort to keep them from being the bill payers for modernization. The flying hours are up. I know that makes you feel good, Billy. Accident rates are down. Maintenance backlogs have been curtailed or sharply reduced. In short, this part of the readiness equation has been recognized for its true value and had received the prompt emphasis and attention.

Before you tell us how we may continue this positive momentum in the face of extreme pressures to cut outlays, I want to recognize my colleague and friend, Bill Whitehurst.

Mr. Whitehurst. Thank you, Mr. Chairman. If there is one word in our consideration on these O&M requests this year, if there be one guiding principle, I believe that it is that we cannot allow the Congress to fall into the easy trap of considering O&M with sort of a last-hired, first-fired attitude.

There may be unremitting pressure to reduce outlays which may translate into untoward pressure on the O&M accounts. It has always been that way. These accounts have always been the easy way out.

The only thing different about the O&M requests and the latest budgetary hard times is that now there is a body of experience to consider them on their merits, as opposed to treating them as a discretionary drawing account for modernization shortfalls.

The last 5 years have shown us the stand alone validity of the consideration of O&M, and its relationship to immediate combat readiness. So, Mr. Chairman, these accounts may have been last hired in the authorization process, and they may provide quick outlays, but we cannot allow them to be the first fired in the spending layoffs necessary to reduce our budget deficit.

General Gabriel stressed the need for balance in our Air Force posture hearings several weeks ago. I could not agree more. We are going to have to tighten our belts, but in a balanced fashion, not at the expense of O&M, the old traditional billpayer.

So, I wish to join you in welcoming Generals Spangrud and Swarts, and looking forward to their testimony, and I thank you.

Mr. DANIEL. Gentlemen, Mr. Whitehurst and I have been with this readiness baby from its infancy, and it is not our intention to preside over its demise. We will need an awful lot of help.

We are going to need the Air Force to get information to us as rapidly as they can, and that information should tell us what we need to do and have to do, in order that we not go back to that period of 1981 and before. We welcome you, gentlemen, and please proceed as you desire.

General SPANGRUD. Thank you, Mr. Chairman.

Mr. DANIEL. Excuse me, Mr. Martin, do you have anything you would like to say?

Mr. MARTIN. No.

Mr. DANIEL. Please proceed, gentlemen.

STATEMENT OF LT. GEN. TRUMAN SPANGRUD, U.S. AIR FORCE, COMPTROLLER OF THE AIR FORCE, DEPARTMENT OF THE AIR FORCE, ACCOMPANIED BY BRIG. GEN. ROBERT F. SWARTS, DEPUTY DIRECTOR OF BUDGET (OPERATIONS), COMPTROLLER OF THE AIR FORCE, DEPARTMENT OF THE AIR FORCE

General SPANGRUD. Thank you, Mr. Chairman. I am very pleased to have this opportunity to be here today. I have been in Washington now, this is my fourth year, first as Director of Budget and now in the job as Comptroller.

So, I have been privileged to be here during this period of restoral of Air Force readiness and sustainability. This committee, of course, has been leading that effort to keep readiness on the front burner and we appreciate that.

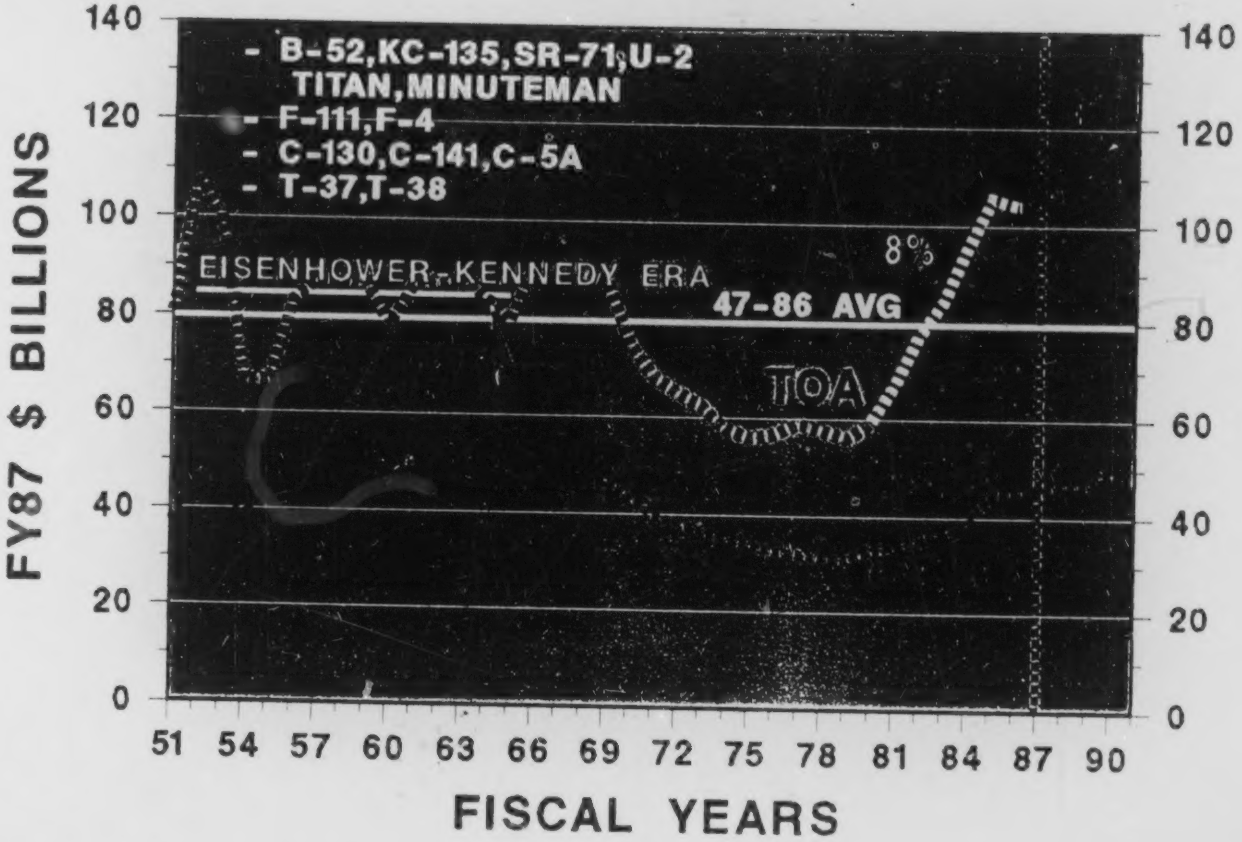
Readiness and sustainability is our No. 2 priority DOD-wide, next to the President's Strategic Modernization Program. I think when I present the budget today to you for O&M, you will see that, in fact, it does enjoy that very high priority.

I have a statement which should be entered into the record. I would like to get up and give you a few viewgraphs to give you a picture of what the 1987 O&M budget looks like, relative to 1986, where the major changes are, if I could.

Mr. DANIEL. Without objection, the general's statement will be entered into the record, and you may proceed as you desire.

General SPANGRUD. Next viewgraph, please.

AF TOA


- B-52,KC-135,SR-71,U-2
TITAN,MINUTEMAN
- F-111,F-4
- C-130,C-141,C-5A
- T-37,T-38
EISENHOWER-KENNEDY ERA
47-86 AVG
8%
TOA
FY87 $ BILLIONS
140
120
100
80
60
40
20
0
51
54
57
60
63
66
69
72
75
78
81
84
87
90
FISCAL YEARS

I have thrown a few charts in here to give you an overview of where O&M fits within the total Air Force budget, and because we are a young service, I can track our entire history.

We are 40 years old, born in 1947. So I can pretty much put our entire budget history on one chart. This one goes back to 1951, but we have a line here, this black line, which shows the Air Force TOA, average TOA at a constant purchasing power value for this period of time. It is about $82 billion.

You can see that during the Eisenhower-Kennedy period we had a relatively higher level, discounting the Korean War and the Vietnam period. That is what I look back to as the baseline to get some feel for where we are at today.

During that period of time, we bought these systems. You can look at them and see the bomber, the tanker, the reconnaissance vehicles, and missiles that we have in SAC. That is the Strategic Air Command as it exists today, in large measure.

When you look at the F-111 and the F-4, that is a very significant part of our Tactical Air Force. Of course, we have modernized that piece, but we have not done much in the Strategic Forces.

C-130, 141, C-5, T-37, T-38—they are our airlift and training portions. Essentially, we have been living off the weapon systems that we procured or developed during the Eisenhower-Kennedy period.

What happened is that we went into this post-Vietnam period, where the budget went below our long-term average. You can see here that over $200 billion was lost in terms of our average budget.

So far, we have restored about $80 billion. That is why I say restore. Everybody talks about the growth recently, but in actuality it is a restoral.

That restoral, of course, is not complete. The other thing that I would like to point out on the chart is that historically, the operating and support, which is the O&M and the MILPERS in day-to-day activity, takes about half the budget. The other half goes into investment.

During the seventies, the operating and support, including O&M, suffered, but the procurement suffered even more, because we can cut that quicker in the short term.

Then it turned around. We had 40 percent going into procurement and 60 in to O&S. Today, we have 40 percent in operating support and 60 percent in procurement.

So, we are now more like our long-term average. Now, you can see where we have come. Here is the 1982 President's budget. Here we are today.

Now, if we are going to talk to the $104 billion fiscal year 1987 budget, comparing last year to this year, we had to take $16 billion out of fiscal year 1987. It had to come out in balance across the budget.

AIR FORCE READINESS IMPROVEMENT

	Fiscal year			Percentage change, fiscal years 1980–87
	1980	1985	1987	
AF TAI (O&M, AF)	6,398	6,588	6,642	4
Total (O&M, AF) F/H (000)	2,051	2,341	2,426	18
TAF F/H (Pilot/Month)	15.6	19.1	19.4	24
Military E/S (000)	558	602	607	9
Accident rate per 100,000 hours	2.57	1.49		

Next please. The 80-some billion dollars that we have gotten above our long-term average, the restoral, has really meant a lot to us in terms of readiness. You can see here, that our number of aircraft is up 4 percent. That does not sound like much.

However, when you consider the mix of airplanes, and the additional F-15's, the 16's and modern airplanes that are in there, it is a dramatic improvement, in terms of fighting capability.

When you look at flying hours, up 18 percent, some of it going toward that added force we have brought in, but mostly to make our crews much more ready. You can see that in our tactical forces, where the pilots' flying hours per month have gone from 15½ up to 19½ as we get to the 1987 figure, a ¼ increase. We are aiming toward 20 hours per month.

Now, I have flown both bombers and fighters. It is very difficult to stay proficient without having that kind of a flying schedule.

Mr. MARTIN. May I ask you one question? Is that all trainees or is part of that trainees?

General SPANGRUD. No, this is the tactical forces, right here.

Mr. MARTIN. No, but what I am talking about is simulators.

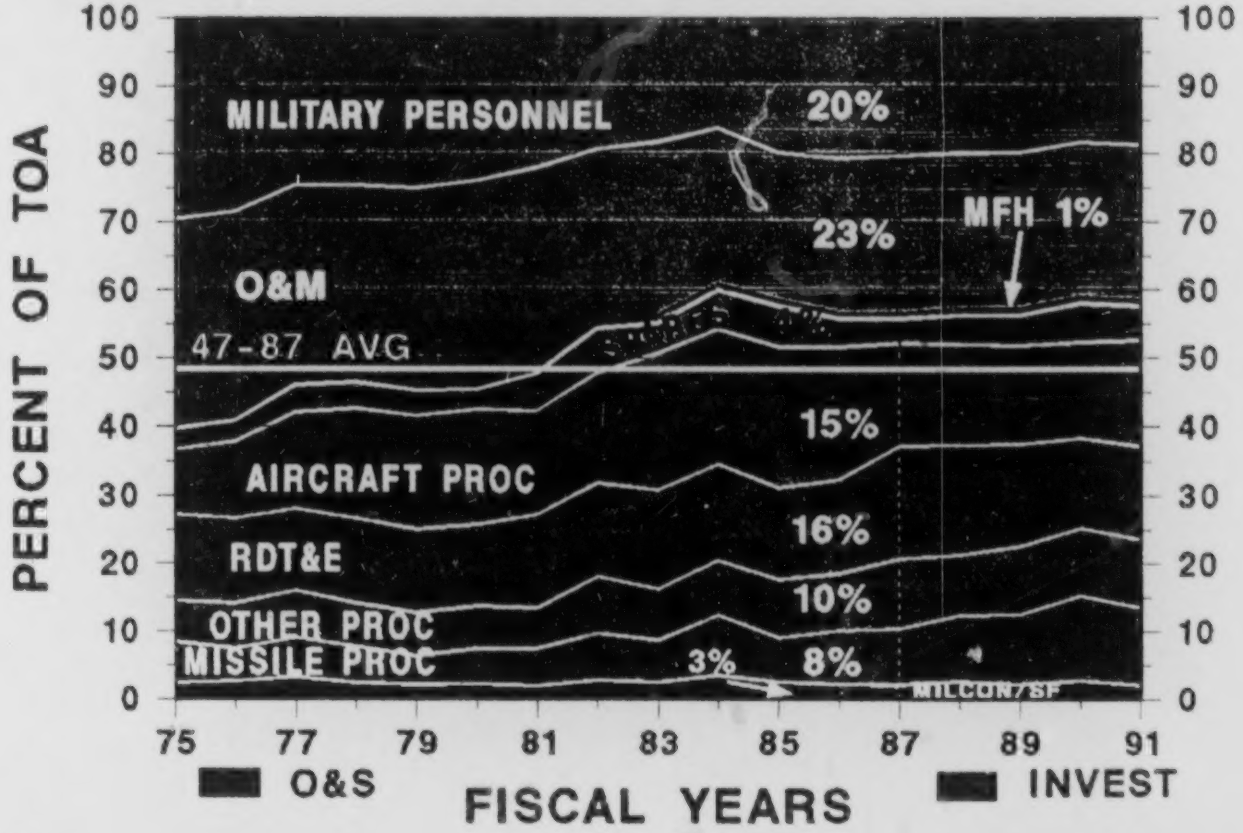
General SPANGRUD. Oh, there are no simulators in here, no, sir. This is actual flying hours. End strengths have gone up a nominal 9 percent, as you can see here.

Here—we have quite a bit of publicity on it recently—our accident rate in the last 5 years went down from 2.6 to 1.5, not quite cutting it in half. We are extremely proud of that.

To put that in some perspective, 30 years ago when I entered, the 1955 number was 17. So, we are down by more than a factor of 10. That means that we are saving not only lives, but a lot of very expensive airplanes.

We lost 51 airplanes last year, flying many more hours than we did in 1980, when we lost 74.

APPROPRIATIONS
(CONSTANT FY87 $)



Next please. Here is another chart of our total appropriations on a percentage basis over the last decade. Here you can see that 60 percent went into O&M and MILPERS 10 years ago. We were not buying much in the procurement account.

Here is our long-term average, about 50 percent. That 50 percent is not the right proportion, because it includes all 13 years when we were well below our average. That brings the average down.

We really need something above 50 percent in the investment account, in order to have both a ready and sustainable Air Force and a modern one. Now, I have included spares up here as a separate line, because it is in the investment accounts, but really it is readiness and sustainability.

So, I like to keep it close to the O&M account on the chart. It is an investment item of course, but it does the same thing as the things we buy in O&M.

Twenty-three percent of the budget goes to O&M, that is slightly up from the year before. We were at 22.8 in fiscal year 1986 and are going to be at 23.1. O&M is growing as a proportion of the budget very slightly.

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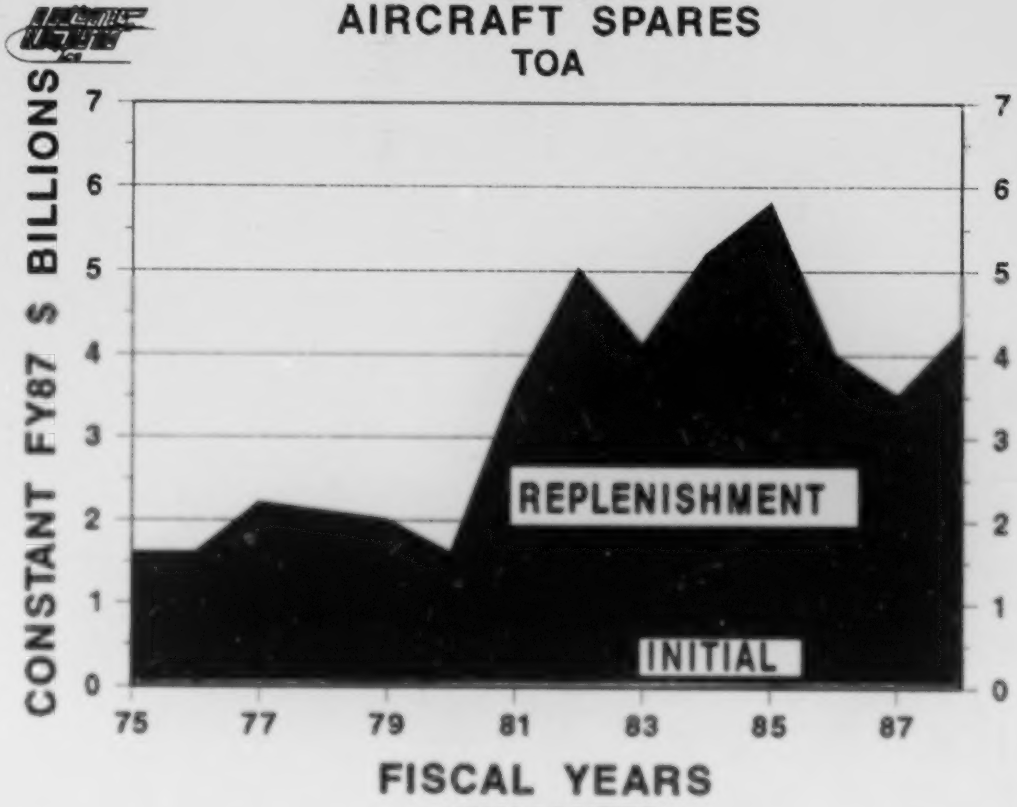
AIRCRAFT SPARES
TOA

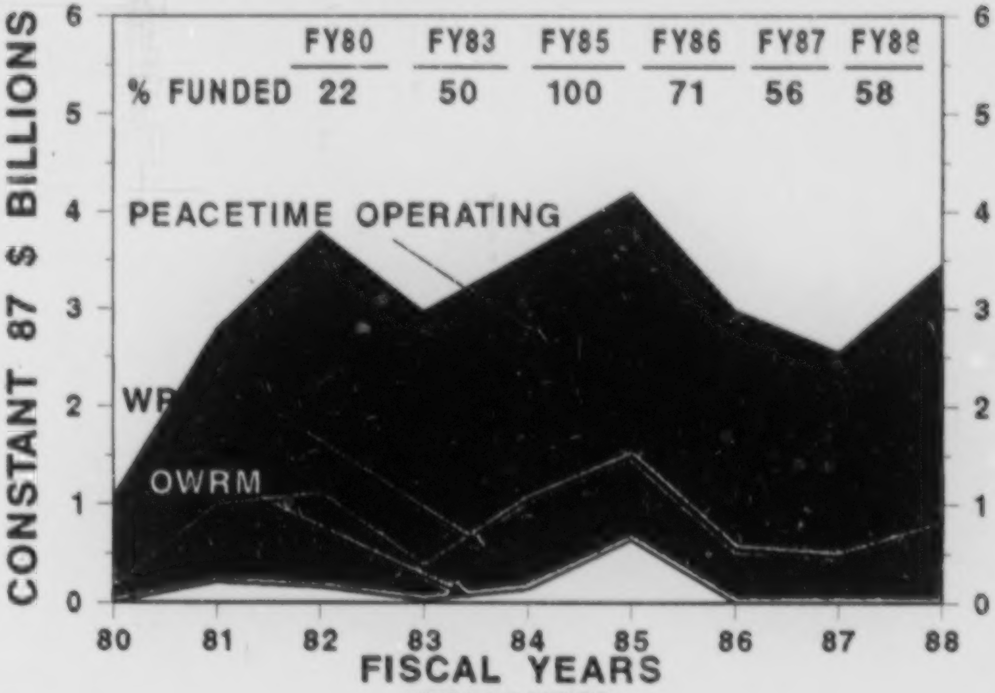


UNCLASSIFIED

Next please. Here are the spares I was talking about. About 4 percent of the budget goes into spares. Initial spares are dropping off in 1986 and 1987 because the B-1 has substantially been bought, as have the C-5B and KC-10. So initial spares are under a billion dollars. Note that replenishment spares have come down substantially year to year. We are not happy about that. They took cuts in our internal process, because we had to come down from $120 billion to $104 billion.

UNCLASSIFIED

REPLENISHMENT SPARES TOA



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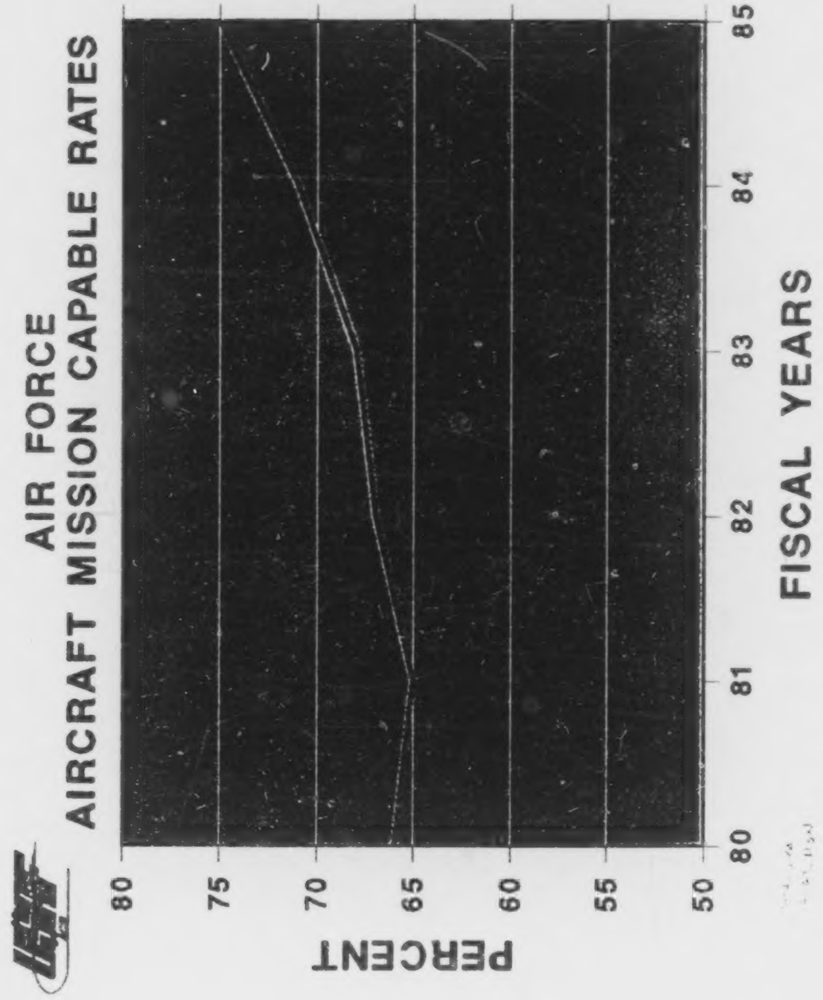
Next please. Here is what it looks like in percentages. Peacetime operating stock is in the blue. This is what we use in our day-today flying activities. The red is our wartime reserves that each unit has, either for deployment as a unit or at the base.

The other war reserve is what gets you able to fight beyond a certain length of time-sustainability. So, this is readiness here, and this is sustainability.

You can see that in 1985 we reached 100 percent of our funded requirements. We have not done that well in 1986. We took some cuts on the Hill. We did not fully fund it, but we took some additional cuts here.

Then, in 1987, our funding is not as high as we would like to see it, obviously. We have 100 percent funding in the readiness piece.



AIR FORCE
AIRCRAFT MISSION CAPABLE RATES

Next please. What has happened over the years? You can see what has happened in mission capable rates. This does not probably look as dramatic to you as it does to me.

We have gone from 65 percent of our Air Force wide—not just fighters or bombers, but fighters, bombers, airlifters, et cetera—to 75 percent. That is only 10 percentage points. But when you consider that around 75 percent is the goal, then we have done very well, because we have gotten up to essentially 100 percent of what we were trying to get to.

We are not sure, exactly, where that is, because each of our different mission areas requires a different goal. If General Russ were here today, he could tell you proudly that he is above 80 percent in most of his tactical fighters. Some of the other systems do not need that high of a day-to-day mission capability.

The overall Air Force average goal is somewhere around 75, between 75 and 80. We are essentially there.

SUMMARY BY APPROPRIATION [1]

[In billions of dollars]

APRN	Fiscal year 1986	Delta	Fiscal year 1987	Real growth (percent)
Acft Proc	$23.0	$ − 3.9	$19.1	
Msle Proc	8.3	+ .7	9.0	
Oth Proc	8.6	+ 2.3	10.9	
O&M	23.0	+ 1.1	24.1	3.4
Milpers	20.6	+ .4	21.0	
RDT&E	13.8	+ 3.5	17.3	
Milcon	1.8	+ .2	2.0	
Fam Housing	.8	+ .1	.9	
Stock Fund	.4	− .2	.2	
Total	100.3	+ 4.2	104.5	0.4

[1] Investment/O&S = 56/44

Next please. Now, looking at O&M within the total budget, we have $100 billion here showing for 1986, but that does not show the Gramm-Rudman reduction of $4 billion. We are growing to $104.5 billion. Last year at this time, 1987 was projected to be $120 billion. We had to take $16 billion out during the year.

Over all, the Air Force budget, within Secretary Weinberger's 3 percent real growth that he has been explaining on the Hill, the Air Force real growth is only four-tenths of 1 percent. We are, essentially, level.

We have had greater growth in the prior years. Now, the Navy has got a little bit more than us, but the DOD average is 3 percent. You can see that O&M is growing faster than the average Air Force budget.

So, we have not neglected O&M. It is growing at a faster rate than the budget growth, over all.

Mr. DANIEL. Excuse me, sir.

How does O&M fare on that reduction that you mentioned a moment ago?

General SPANGRUD. Coming from 120 on down?

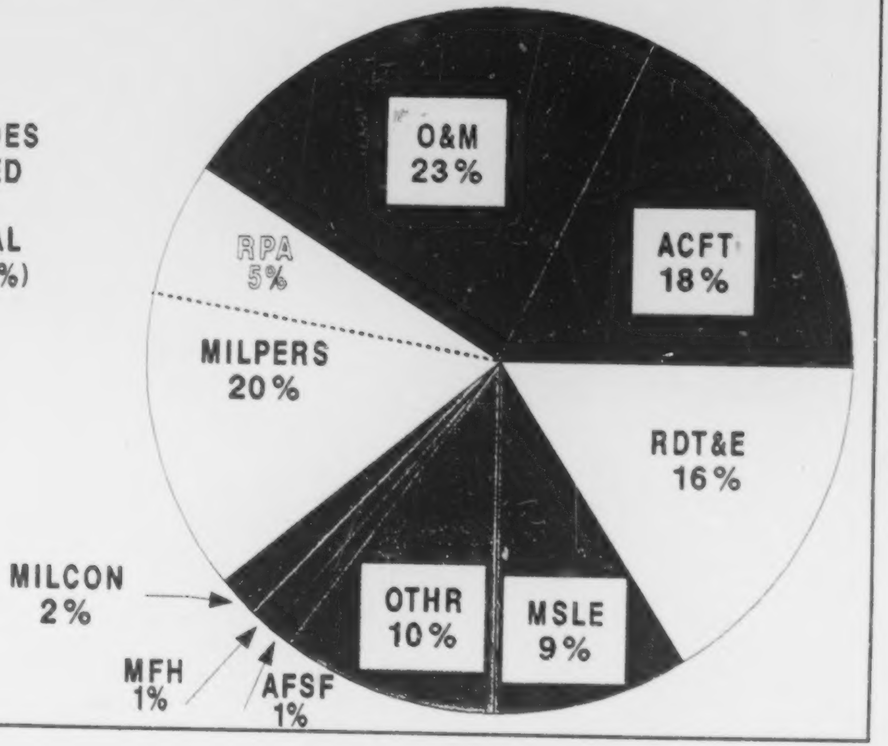
Mr. DANIEL. Yes, sir.

General SPANGRUD. We have a Board process which works from the colonels to the one stars, two stars, and three stars. Our instruction is to fully price the O&M program. I believe that is what we are showing you here today, except for some minor differences.

O&M did very well. We have a little bit of a problem in the sense of readiness, in that we had to bring our spares down. That is in our investment account.

Mr. DANIEL. Thank you.

FY87 TOA - PERCENT BY APPROPRIATION

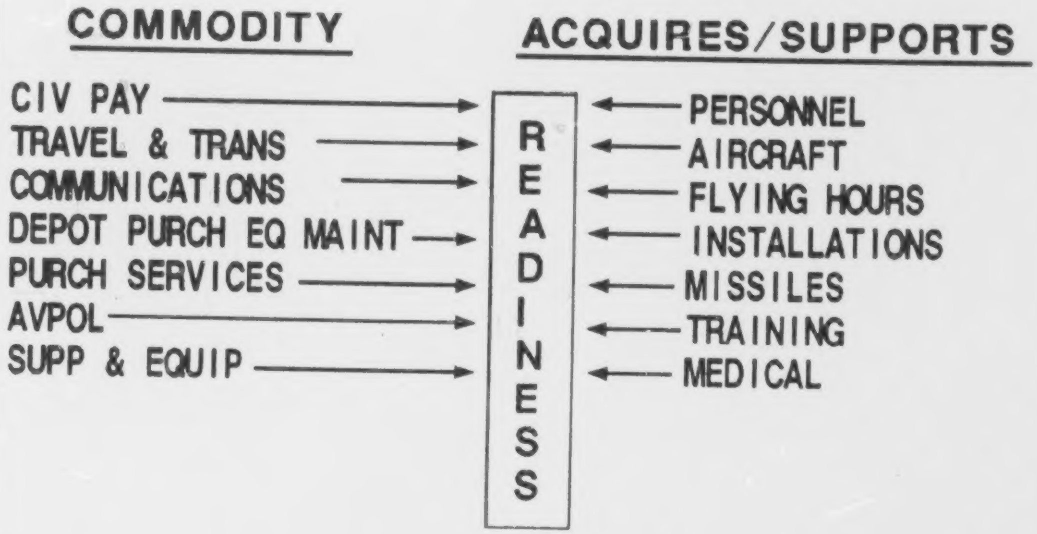


INCLUDES
RETIRED
PAY
ACCRUAL
($5.2B: 5%)

General SPANGRUD. Next please. Now, this just sort of sums it up in a general sense. O&M 23 percent of the budget, slightly bigger than it was in the past. Between O&M and MILPERS, which are our Operating and Support account, 43 percent of the budget is accounted for, which is the smallest amount among the services, because we are more investment oriented than the other services.

Within that, of course, is the retired pay accrual, which is about $5 billion, or 5 percent. Of course, that did not exist prior to 1985.

WHAT O&M BUYS



COMMODITY

CIV PAY
TRAVEL & TRANS
COMMUNICATIONS
DEPOT PURCH EQ MAINT
PURCH SERVICES
AVPOL
SUPP & EQUIP

READINESS

ACQUIRES/SUPPORTS

PERSONNEL
AIRCRAFT
FLYING HOURS
INSTALLATIONS
MISSILES
TRAINING
MEDICAL

Process/B
AcBo. Comm 02

Next please. Now, we get into O&M itself. We will be talking about these sorts of commodities—pay, communications, Depot Purchased Equipment Maintenance which buy these kinds of things, which is really trained personnel and aircraft that are fully maintained, as well as missiles and people who are supported with medical and the other things we need to keep an active force.

TOTAL AIR FORCE O&M

[In millions of dollars]

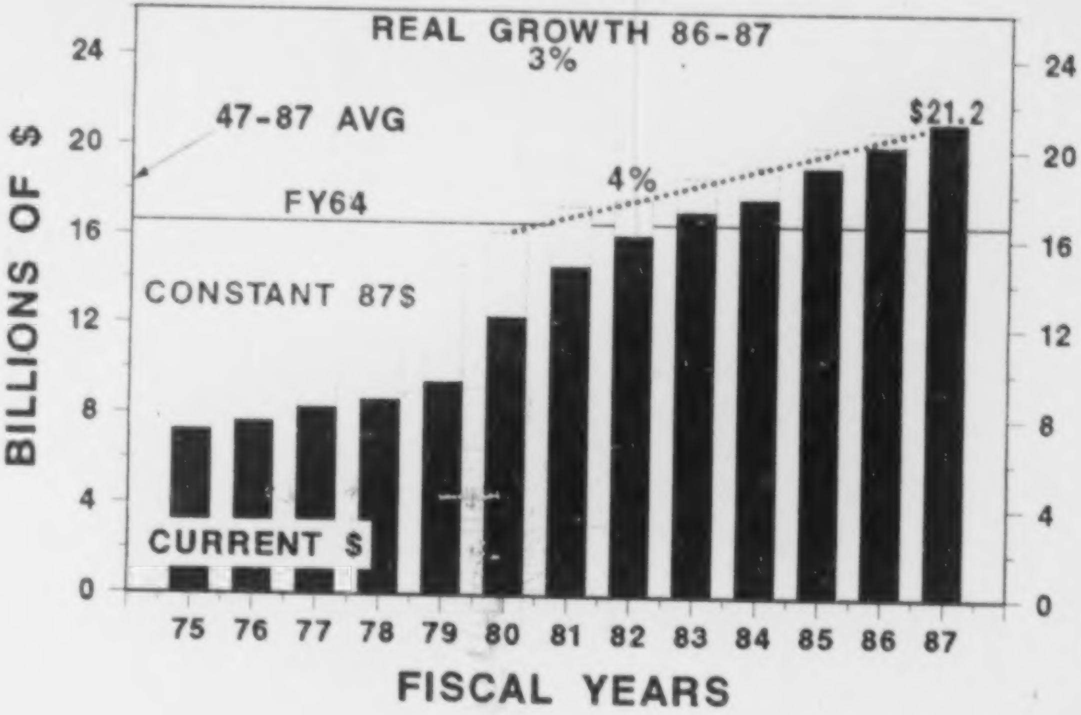
	Fiscal year 1986	Infl	Pgm Grwth	Fiscal year 1987
O&M, AF	$20,177	$425	$612	$21,214
O&M, AFR	903	+12	+61	976
O&M, ANG	1,813	39	81	1,933
Total O&M	22,893	476	754	24,123

Next please. Overall, the total Air Force O&M is down at this line. I will just be talking to the O&M Air Force because you will be hearing from the Reserve Forces separately on their situation.

I will note here that we have $600 million of real growth; that is the 3 percent and $400 million of inflation or about 2 percent. It is actually a little bit more than that, but some of the things do not inflate, like civilian pay. So, therefore, it comes out at only 2 percent here. Three percent real growth.

Note the Air Force Reserve has about seven, and the Guard has about five, for an overall Air Force average of three and a half. Once again, the Reserve Forces have more real growth than the active. That is part of a longer term trend.

ACTIVE O&M TOA



Next please. Here is the last 10 years. I do not like to use the 10-year charts, because you start from this low, the all time low we had, and that is why I wanted to give you that bigger picture at the beginning, but I kept 1964 on here, just to give you a peg point.

You can see that in a constant dollars the O&M budget did not come down as much as the overall budget during that period of time, but that is still a lot of hurt. That is a lot of hurt to the O&M area.

We are getting about 4 percent real growth from you each year for the last few years. This year we are only asking for three, but it is in the same ballpark.

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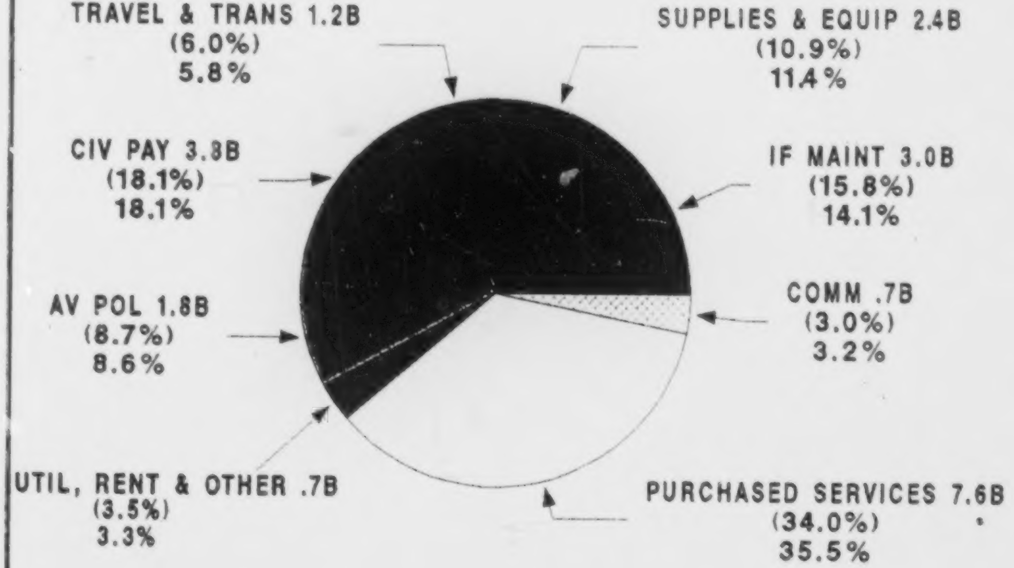
FY87 ACTIVE O&M
BY COMMODITY



( ) FY 86

TOTAL $21.2B

UNCLASSIFIED

Next please. By commodity, this is what it looks like. I have shown last year's percentage in parentheses. Civ Pay is exactly the same percentage year to year. Travel and Transportation is down marginally for the year to year, as a percent of the total.

AV POL. We are flying more, but the prices are lower as I will show you on another chart. Rent and utilities are down somewhat. Two areas that are up include supplies and equipment. You can see they have gone from a little under 11 percent to over 11 percent of the budget. That has to do with modernization and augmentation of our forces, and I will talk to that in some detail.

Purchased aervices is the biggest, fastest growing part of the O&M budget. There is $610 million of real growth in there, and half of it has to do with space. Space is the single, fastest growing part of our O&M budget.

Next please.

Mr. DANIEL. General, before you leave that, Mr. Ray, did you have a question?

Mr. RAY. Yes. The "Utilities, Rent and Others"—what is the "Other" for?

General SWARTS. Leases, sir, predominantely. Leased-type equipment and leased facilities.

Mr. RAY. Does that include leased housing?

General SWARTS. No, sir. That is handled in a separate appropriation, the Military Family Housing account.

Mr. RAY. I see.

General SWARTS. Not in the active O&M.

Mr. RAY. We do not have any O&M funding for leased housing?

General SWARTS. Not in the Military Family Housing, there is none.

Mr. RAY. OK.

General SPANGRUD. There are two pieces to the family housing: one is for investment, and one is an operating piece like this.

Mr. RAY. Leased equipment?

General SPANGRUD. Leased equipment would be an operating account.

Mr. RAY. Airplanes?

General SPANGRUD. Yes, sir.

Mr. RAY. Thank you.

MFP SUMMARY

[In millions of dollars]

O&M, AF	Fiscal year 1986	Infl	Pgm growth	Fiscal year 1987
Strategic forces	$3,315	$57	$213	$3,585
Gen pur forces	4,484	48	178	4,710
Intell/comm	2,340	86	448	2,874
Airlift	1,185	28	2	1,215
Central supply and maintenance	6,053	132	−270	5,915
Tng, med & other pers activities	2,213	64	43	2,320
Admin & assoc activities	581	10	−2	589
Support of other nations	6	0	0	6
Total	20,177	425	612	21,214

General **Spangrud**. Next please. Now, this is the way we divide up our budget in the O&M account. It is by Major Force Programs. These run throughout DOD.

Now, they can aggregate ours with the Navy's, with the Army's and come up with what Strategic Forces cost, what General Purpose Forces cost, et cetera. There are 10 of them.

Now, I am going to talk to eight of them, because two of them are not relevant to today's discussion, the RDT&E and the Reserve Forces. I just want to point out that the Intell and the Communications which I have highlighted here has had the biggest growth, and that is mostly in space activities again.

As you can see, the big growths are these first three, which I will cover in detail. Then we have got some reduction in our maintenance activities. Airlift is essentially even from year to year. Of the $600 million of real growth, over three-quarters of it went there. (Program 3.)

MFP 1—STRATEGIC FORCES

[In millions of dollars]

	FY86	Inflation	Program growth	FY87
O&M, AF	$3,315	$57	$213	$3,585
Major program changes:				
B-1B support			+47	84
SR-71 support			+30	253
BMEWS			+22	92
Base OPS & RPM			+21	1,147
SLBM warning systems			+18	49
STRAT flying hour spt			+17	660
DEW radar station spt			+15	143
Peace keeper oper			+10	21

Next please. Looking at Major Force Program 1, the strategic program, we are up about 6 percent, $200 million over a $3.3 billion base.

The B-1 is coming in with additional airplanes very quickly. We are going to add 41 aircraft in 1987. So we will have 58 of them operating through 1987. That adds this amount, which doubles the cost of the program, because it is growing so quickly. We will also have three bases going at that time, Dyess, which will have more aircraft, plus Ellsworth and Grand Forks, three bases in 1987.

The SR-71 support is simply a movement of money from another appropriation to this one, and there is no real content change there. The BMEWS is our Ballistic Missile Early Warning Systems. These are the ones that are up in Alaska, Greenland and East Fyllingdales Moor, England.

We have been upgrading those over a period of years to go to a phased array radar, rather than the old mechanical system. So there has been additional cost to do that. You can see those costs in there. That is the predominant cost.

Base Ops and Real Property Maintenance. You will see that on each of the charts that we are not neglecting our real property. I will have a separate chart on that at a later point in the briefing, to show you that we have taken your instructions to make sure we do not neglect it.

You will see that kind of an increase in each one of these Major Forces Programs.

The SLBM warning systems, these are the PAVE PAWS, phased array radars, that look for the submarine launched ballistic missiles. We have two in the northeast and northwest, and we are now adding two, one on Robins Air Force Base, GA, and one near Goodfellow, AFS, TX.

So, we will have all four of them operating and that is why that cost is going up.

Strategic flying hours support. The KC-135 took what we call a nonprogrammatic cut last year in flying hours. We are trying to restore part of that because we have so many users that need the aircraft. We are putting some KC-135 hours back in here.

The DEW radar station support, these are the distant early warning sites that are in Canada, Greenland, and Iceland, and we resupply them every 2 years. It is a biannual thing as far as costs. That is why that is more than you would normally see, but you did not see it last year and you will not see it next year.

Peacekeeper operations. We will be adding 25 Peacekeepers on alert or in operation, so to speak, putting them in operation, plus 2 previously. So, we will have a total of 27 of the current authorized 50 in 1987.

Next please. General purpose forces, which is our major force program II, these are our tactical fighters, our AWACS aircraft, our jamming aircraft, and our reconnaisance aircraft, those sorts of things.

The Tactical Air Force flying hour program, there was a nominal increase of a couple percent. I will talk to flying hours a little bit later.

Telecommunications support, that includes some activities for our RFDCOM—Readiness Command for the command post which we have to support, which is a joint command, plus some CQ base level activities in the Tactical Air Force.

Ground launch cruise missile, there is an addition here to $208 million, $57 million added to $208 million. That is a fairly big increase. We will have all four sites in operation in fiscal year 1987. The last two in the Netherlands and in England come on in fiscal year 1988.

That will be sort of our full up cost. We should level off on that one in the following years.

TR-1 support. We are adding three more TR-1's. That is a high altitude reconnaisance type vehicle. So that will bring us up to 20. Those are predominantly at Alconbury, England.

Command and Control has got a fairly substantial increase. That is for two AWACS going to Alaska—two AWACS to Alaska and four compass calls aircraft for a total of 14. A compass call is a jamming aircraft.

Now, facility projects once again air base survivability was a last year one-time cost. Overall tactical forces has a nominal 4 percent real growth, mostly all related to new aircraft coming into the system.

Next please.

MFP 2—GENERAL PURPOSE FORCES

[In millions of dollars]

	FY86	Inflation	Program growth	FY87
O&M, AF	$4,484	+$48	+$178	$4,710
Major program changes:				
Class TAC forces programs			+34	398
TAF flying hour prog			+29	1,220
Telecomm support			+10	158
Ground launch cruise missile			+57	208
TR-support			+11	112
Command and control			+31	200
Facility projects			+23	316
Air base survivability			−20	0

Mr. **Ray**. General, air base survivability, what does that consist of?

General **Spangrud**. Let us see, that was in last year's budget. I cannot address that right now. Is there anybody in the room that can talk to that one?

General **Swarts**. Sir, I am afraid we are going to have to take it for the record. It was some bilateral agreements that we were paying for on a one-time, 1-year basis, but I cannot recall the country.

Mr. **Ray**. All right, would you get that for the record?

General **Swarts**. Yes, sir, we will.

[The following information was received for the record:]

AIR BASE SURVIVABILITY

The FY86 President's Budget submission included $20 million for the Air Force to accelerate passive defense bilateral initiatives with European allies for protecting unsheltered U.S. reinforcing aircraft at collocated operating bases (COBs). This action was a result of a 1984 NATO agreement to provide one-time funding to build additional aircraft shelters in Europe.

Negotiations are now ongoing with Turkey and Italy to provide concrete slabs for aircraft parking stubs and movable 4 meter high concrete revetments to protect U.S. reinforcing aircraft. The U.S. proposes to provide the slabs and revetments, and our allies would provide the site preparation, installation, and follow-on maintenance. We are also discussing similar negotiations with the United Kingdom and West Germany.

Where eligible, we pursue NATO Infrastructure funding to protect our force structure in Europe. Since NATO is responsible for dispersed aircraft parking and accompanying semi-hardened aircraft shelters, the U.S. share is only 30 percent. Recent budgeted increases in NATO Infrastructure funding should provide monies for an additional 500-plus U.S. aircraft shelters over the next 5 years. However, even then, we will still be several hundred shelters short of our total needs.

MFP 3—INTELL & COMM

[In millions of dollars]

	FY86	Inflation	Program growth	FY87
O&M, AF	$2,340	+$86	+$448	$2,874
Major program changes:				
Space launch spt pgm			+243	904
CSOC			+58	132

MFP 3—INTELL & COMM—Continued

[In millions of dollars]

	FY86	Inflation	Program growth	FY87
Space spt boosters			+15	113
Special analysis activities			+18	18
ADP EQ purch			+14	22

General SPANGRUD. Major Force Program 3, this is the big one. On a base of $2.3 billion, almost half a billion growth or 19 percent real growth. Most of it is space, as you can see.

Space Launch Support Program, $243 million dollars. It is a rapidly growing program. Now, I am going to have another chart to address space, but basically, it is the launch support costs that we pay to NASA. We pay a year in advance for space shuttle support.

We will have five launches in 1988, which we pay for in 1987.

Mr. DANIEL. General, what effect will the slowdown in the space program have on your accounts?

General SPANGRUD. Sir, we are assessing that right now.

Mr. DANIEL Do you know at this point?

General SPANGRUD. I really do not know. I do know—I have had some conversations with the people who know—it looks like we may have to ask for a supplemental this year, because it is not only the fact that we have a hiatus here that we had not counted on, but there was equipment destroyed.

Of course, everybody has focused on the lives, which was a terrible tragedy, but there was some equipment in the bay of the shuttle that was of very high value to us, that we are going to have to repurchase.

So, I do not know what the number is, but it looks like we are going to have a supplemental.

Mr. DANIEL. Well, if you would provide that for us as time goes along, and let us know where you stand in that area?

General SPANGRUD. Yes, sir. I certainly will.

[The following information was received for the record:]

EFFECTS OF SPACE PROGRAM SLOWDOWN

The AF and DOD are preparing a FY86 supplemental and a FY87 budget amendment for submittal to Congress in the near future. This amendment is based on a DOD-formulated strategy to provide assured access to space. This strategy includes modifying several satellites to be able to fly on both the Shuttle and Expendable Launch Vehicles (ELVs), acquiring additional ELVs and developing the capability to launch the Complementary Expendable Launch Vehicle from the West Coast. This strategy is currently being costed by field organizations. Early indications are that near term operations and maintenance requirements will not change dramatically, although there may be some additional O&M monies required for satellite storage. For certain, no near term funds will be freed up.

Mr. DANIEL. Thank you.

General SPANGRUD. Now, the Consolidated Space Operation Center, out at Colorado Springs, there is a fairly big increase of almost $60 million, doubling it to $132 million. It will be about 30 percent operational.

When it is fully operational several years later, that will about double this cost, when we get to a fully operational Consolidated Space Operation Center. Now, they have the twin mission of military shuttle type missions, as well as the controlling of satellites as we also do out at Sunnyvale, CA.

Space Support Boosters. This is to extend our capability to launch the Titan-34D at Cape Canaveral for a special national mission.

ADP equipment purchase——

We are continuing to get out of the lease business. Of course, that has caused our leases to go down more or less, which was shown on that other chart which you commented on, sir.

MFP 4—AIRLIFT & SEALIFT

[In millions of dollars]

	FY86	Inflation	Program growth	FY87
O&M, AF	$1,185	+$28	+$2	$1,215
Major program changes:				
Fly hrs decrease PAA reduct in C–5, C–141, & C–130			−19	292
Reduced C-5 ACL rqmt			−25	8
RPMC			+23	80
C–5 contract training			+8	8

Next please. Airlift and Sealift, you can see there is no change here. Now, I have to point out that our Military Airlift Command gets two-thirds of their flying hours funded through the Industrial Fund, where all of the services use their O&M money to buy aircraft flying hours.

This does not give you a really complete picture, but it gets very confusing to get into the Industrial Fund in this kind of a briefing. In fact, all of the payments to them for using their Industrial Fund activities come from the O&M Budget.

So it is in the budget here that I am presenting to you, as far as the Air Force piece is concerned. As you can see, these are predominantly reductions, except for the fact that we are increasing Real Property Maintenance, of course, and improvements again by contract.

We have been able to use simulators for our air refueling operation now for C–5 and C–141, and that cuts back on the flying hour cost. This one is a little difficult to understand, but the C–5 as we have been modifying the wings, we are able to take our allowable cabin load from 25 tons up to 65 tons.

We had a period of time when we were putting less than a full load on those aircraft. Now, as we fully load them as we get the modified C–5A's back in the fleet, it drives down our flying hour requirement. So this is essentially a zero-growth area.

MFP 7—CENTRAL SUPPLY & MAINT

[In millions of dollars]

	FY86	Inflation	Program growth	FY87
O&M, AF	$6,053	+$132	−$270	$5,915
Major program changes:				
Depot maintenance			−77	3,188
Environmental restoration			−73	23

MFP 7—CENTRAL SUPPLY & MAINT—Continued

[In millions of dollars]

	FY86	Inflation	Program growth	FY87
Modernization			−73	190
Inventory control			−31	530
Transportation			−21	572

Next please. Major Force Program 7. This is our logistics. These are support dollars. As you can see, we are slightly down here about 4 percent from year to year.

Our Depot Maintenance is down less than $100 million. Environmental Restoration is going to OSD, so that is really not a real decrease. It is going to show up some place else in the DOD budget.

Modernization. We fund the installation of the C-5 wing mod out of this O&M budget. That has come to a close now. So that means that this budget is dropping off on the modernization side.

Inventory control. This was a jobs guide that we bought last year, which we will not be buying next year. So, therefore, that cost goes down. Jobs guides, meaning "How to" manuals for our people within depots, et cetera.

Transportation, second destination transportation plus a one-time cost to get supplies to Afghanistan, a cost from the year before, so that is down. Overall, we are down, year to year.

MFP 8—TRNG, MED, PERS ACTIVITIES

[In millions of dollars]

	FY86	Inflation	Program growth	FY87
O&M, AF	$2,213	+$64	+$43	$2,320
Major program changes:				
General intel and crypto trng			+4	180
Professional development			+4	52
Flight training			+4	248
Personnel education			+8	152
Medical training			+2	34
Other training support			+3	69
RPM			+6	306
USTF			+6	50

Next please. Program 8 is our Training and Medical. You can see that all of these are nominal increases. I would rather just let you review them. They are not a major increase. You can see, overall, they are about 2 percent here.

The big one is about 12 percent or so, here, Uniformed Services Treatment Facilities, which are medical, and you know the medical costs have been going up faster than the rate of inflation that we computed. So, therefore, that is understandable.

While we are on that one, I would like to point one thing out. As we are going through Gramm-Rudman-Hollings and other adjustments, we have very little flexibility in the O&M account, because we are limited to one $5 million internal reprogramming between these Major Force Programs that we are talking to.

There are eight of them. We are talking about $20 billion, and we only have $5 million of flexibility between billion dollar accounts. It really gives us a problem, and we have to go through a formal process, through us to the committees and back to us.

Then it is very late in the year, and it makes for a very poor way for us to manage the program. It is particularly evident in this program [8], because every year the medical folks come up with something they have not counted on.

Last year it was extra money for AIDS, extra money for those Uniformed Services Treatment Facilities which have been costing more, and they are a must pay bill.

I would say that if you look at ways to give the services flexibility as we are dealing with things like Gramm-Rudman-Hollings, that you reexamine the $5 million limitation between Major Force Programs, because that is a terribly modest amount of money for us to deal with when we are trying to execute this program.

MFP 9—ADMIN & ASSOC ACTIVITIES

[In millions of dollars]

	FY86	Inflation	Program growth	FY87
O&M, AF	$581	+$10	−$2	$589
Major program changes:				
Productivity invmt fund			+7	17
Disability compensation			+8	83
Bos/Rpma			−8	66
Adpe maint, rental, services			−7	42

Next please. Force Program 9, which is administration, these are very small changes. The big ones here are productivity and investment fund. This means that when somebody has a good idea out there that saves the Government money, O&M Funds implement that suggestion. That is where the money goes.

Disability compensation is a small amount. We have to pay the Department of Labor. They bill us. It is about a 2-year delay. This is a payment for the 1985 charges. So this is a must pay bill.

MFP—SUPPORT OF OTHER NATIONS

[In millions of dollars]

	Fiscal year 1986	Inflation	Program growth	Fiscal year 1987
O&M, AF	$5.9		$−.2	$5.7
Major program changes:				
NATO AWACS			−.2	4

Next please. The last one, Support of Other Nations, is a very small program. We had a slight decrease, because we got the AWACS aircraft in place, and the balance of our costs are going down.

O&M, AF Highlights—Fiscal years 1986-87

	Change
Real growth (O&M, AF)	+ 3.1%
Flying hours (O&M, AF)	+ 28 K
Civilian end strength (total AF)	+1,558
BMAR reduction (O&M, AF)	$−138 M
Space programs (O&M, AF)	$+366 M

Next please. Now, I have just run through the Major Forces Programs. There are eight of them that we keep track of our budget in. Now, here are some highlights.

Real growth was about 3 percent overall in the O&M, which is greater than the Air Force average. Flying hours are up about 1 percent, 28,000. Civilian end strengths are up .6 percent. I will talk more to that later, but that is 1,600 people against 260,000 plus people.

That is all outside of the O&M account, by the way. The O&M account is down slightly. Maintenance and Repair backlog—a reduction. For the last couple of years, now, we have actually been able to reduce our backlog, and I will talk to that on a separate chart.

The Space Programs are the bulk of the program increases.

O&M, AF FLYING HOURS

[F/HS in thousands]

	Fiscal year			Change, fiscal years 1986-87
	1985	1986	1987	
F/H (000)	2,341	2,398	2,426	+28
TAF F/H (Pilot/Mnth)	19.1	19.0	19.4	+.4
Major F/H changes:				
+ 21—Tactical forces				
− 2—Pilot training				
+ 1—Airlift				
+ 11—Strategic forces				

Next please. Flying hours. I said I would return to that later. You can see that we have 1 percent growth. You see 2.4 million flying hours. We have 3.5 million flying hours in the Air Force. O&M supports 2.4.

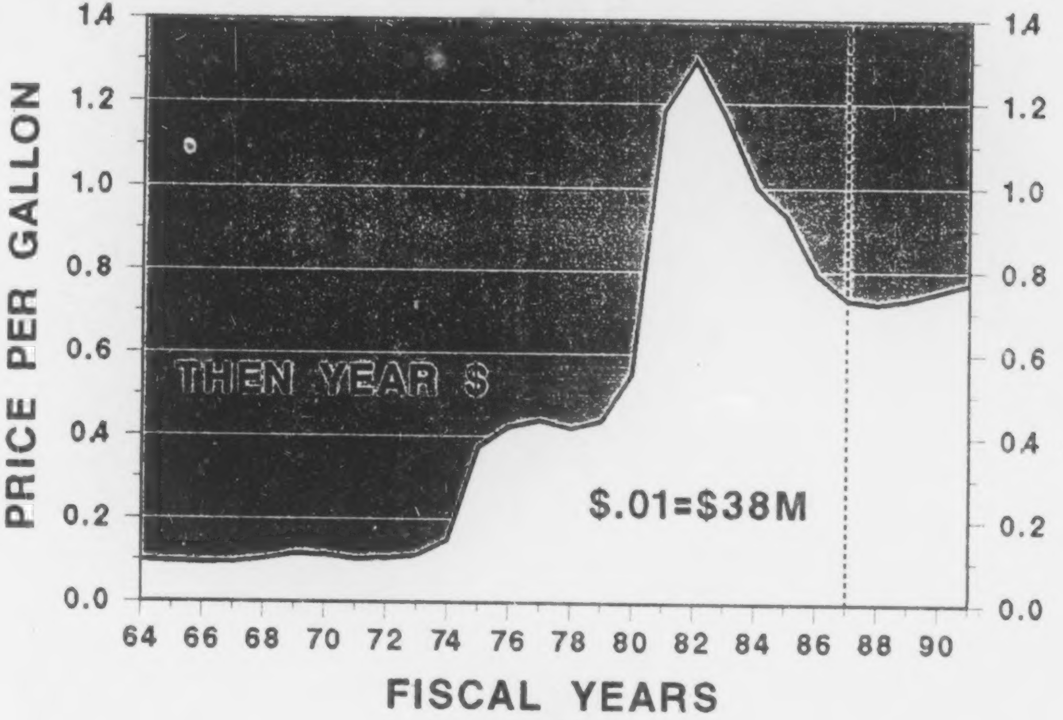
The Industrial Fund for our Military Airlift Command is about ½-million as well, and the Reserve and Guard are another 600,000, and then there are flying hours in our RDT&E Programs. Those add up to 3½ million, but the O&M budget supports this amount.

We have got a 1 percent growth, but we have a 2 percent increase in the amount of flying hours that the Tactical Forces are getting, in terms of flying hours per individual. Still, aiming to get up around 20.

You can see that the increase is here as far as flying hours. With 28,000 total—21,000 has been going to the Tactical Forces. We will be operating 808 F-16's, 625 F-15's, and 57 KC-10's at that time. All of them growing. We will ultimately go to 60 KC-10's in the total force.

UNCLASSIFIED

JP-4



UNCLASSIFIED

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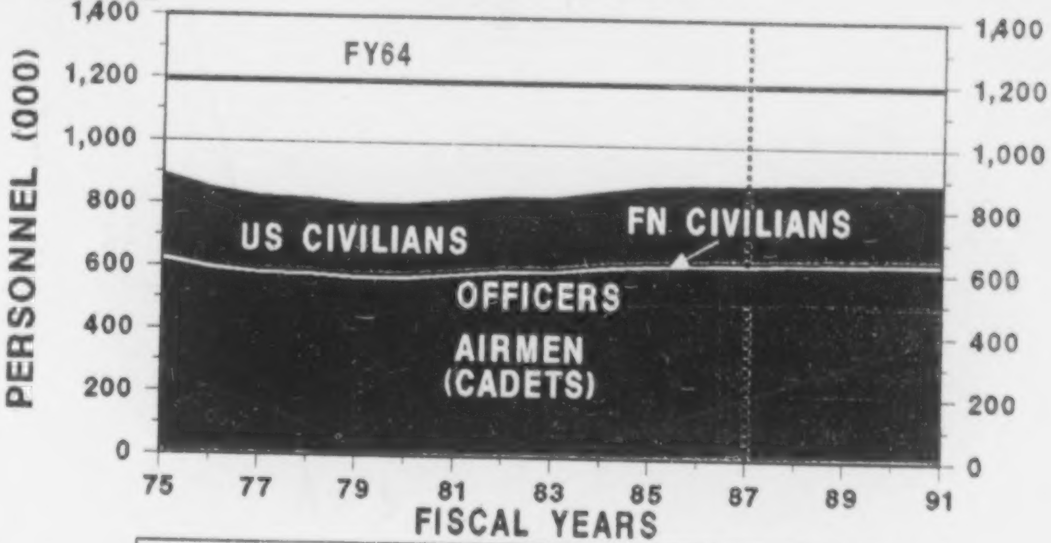
Next please. JP-4 is a good news story. We went from 9 cents a gallon back here all the way up $1.33, and we are now at 79 cents going to 73. Good news, because every penny saves us almost $40 million.

UNCLASSIFIED

PERSONNEL



	FY87	FY86-87 CHG
US CIV	243 K	+1.4 K
FN CIV	20 K	+ .2 K
OFF	109 K	+ .8 K
AMN(CDTS)	498 K(4,417)	- .1 K

UNCLASSIFIED

Next please. People. This is the number of blue suiters, plus civilians up here. Here is where we were in 1964, before we started the Vietnam war.

As a matter of fact, during that period of time, our blue suit force was equal to the total amount we have, military and civilian, today. So we essentially have reduced our force by about a ⅓ at this point, and about a ¼ today.

There are about ¾ the number of people that we had back prior to Vietnam. Now, we have 263,000 people we are asking for on the civilian side. That is about a 1,600 increase, but in fact, it is a 3600 increase and a 2000 decrease, because we have taken some things out and put other things in.

On the military side, we have only a 700 increase.

Mr. Martin. Would you mind doing that one again?

General Spangrud. Yes, sir. Well, I will talk to it over here. If you would just wait a second, I have put some cheat notes out here for myself.

Now, the point is that all of these are nets. There was a net on the civilians here. And on the military, there is 9,100 added but 8,400 coming out. Now, what has happened here is we are putting in combined military-civilian end strength increase under the B–1's where we are going to have a very high number, compared to what we had, a plus 2,600 [2,500 military, 100 civilians].

You can see those big increases which add way up over the 700 we are talking about. The Reserve Forces are getting 700. All these other things, KC–10's, Compass Call, Special Operations Forces, OTHB's, CSOC, NASA, they are all getting 200 or 300 per year.

Mr. Martin. Where does it come from?

General Spangrud. The bulk of it comes out of our hide. We are just taking our support forces and reducing them by about 5,000. Is that about right, Bob?

General Swarts. Yes sir.

General Spangrud. The rest of them are coming out of F–4's. Our F–4 is coming out of the force because we are adding the F–16. We have some things we are not doing, but the bulk is coming by telling the support guys like me, in the financial management field, to do the same amount or more with less. That is how we are generating these increases.

TOTAL AIR FORCE CIVILIAN END STRENGTHS

	Fiscal year 1986	CHG	Fiscal year 1987
O&M, AF	160,887	−93	160,794
O&M, ANG	24,834	+271	25,105
O&M, AFR	13,253	+464	13,717
RDT&E	18,953	+868	19,821
AFIF	43,813	+48	43,861
Total	261,740	+1,558	263,298

Next please. Civilian end-strengths, as you can see, I talked about the 1,600, but you will note that all the increases are outside of O&M. O&M actually has a small decrease from year to year.

You can see that the Reserve is going up by 4 percent. The Guard is going up by one. The RDT&E is going up by 5 percent. Next please.

Mr. **Ray**. Excuse me, General.

Mr. **Daniel**. Mr. Ray.

General **Spangrud**. Yes.

Mr. **Ray**. General, I believe we have ended the civilian end strengths, have we not?

General **Spangrud**. Yes sir, we have and we really appreciate that. It has really given us a great deal of flexibility.

Mr. **Ray**. Well, that will disappear out of there.

General **Spangrud**. Sir, we are still cognizant of the fact that we have got to try to keep the control of the numbers within the relative bounds of where we departed from. We have done that, I think, in the sense that while we were somewhat over our program—in terms of former end strengths we are about 7,000 people over—but we actually spent less money last year than the program, $73 million less, by having more people, because we were able to bring in temporaries, keep them, and not have to fire them at the end of the year and bring them back.

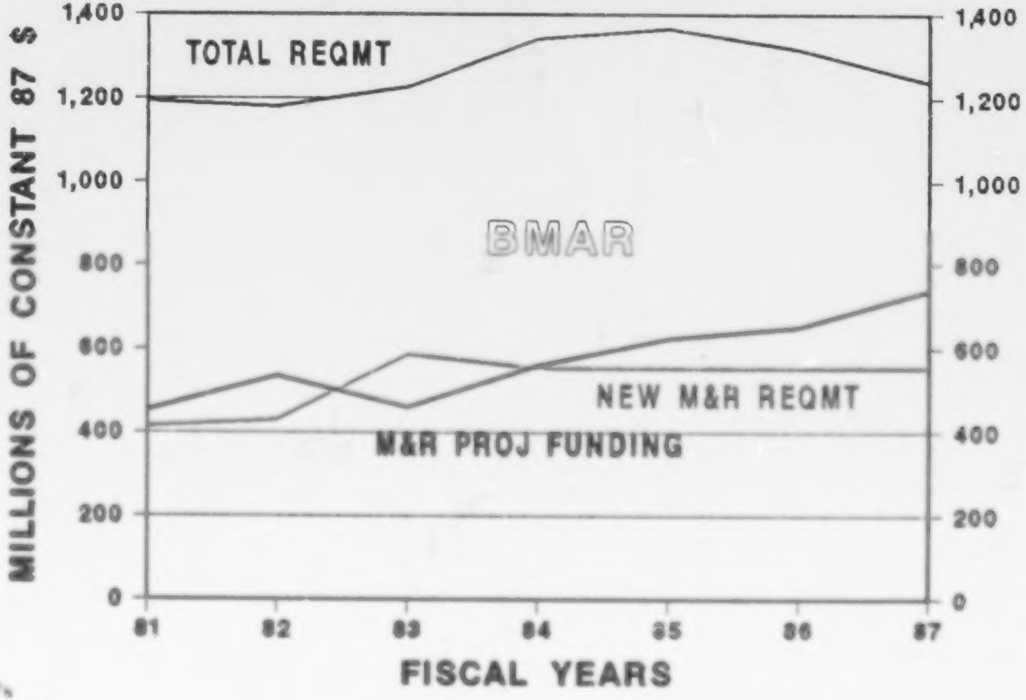
Let me give you an example in Alaska. Up there, we use them in environmental restoration. They have to go to remote sites. On September 30, we have to bring them back and terminate them. That was the old system.

Now, we can leave them there. We save the termination costs and we save the transportation costs. So you really did us a great favor in doing that for us.

Mr. **Ray**. I guess we will be fighting that battle again this year.

Mr. **Daniel**. Very likely.

BACKLOG OF MAINTENANCE & REPAIR (BMAR)



General **Spangrud**. Next please. Backlog of Maintenance and Repair, this is our total requirement up here of about $1.2 to $1.3 billion. Down here, you can see the new requirement that comes up each year and the funding.

If the funding is above the new requirement, then this drops. There is a 1-year lag, but it drops. The total does. Then you can see, in 1985 and 1986, you have given us more funding than our newly identified requirement. So we are actually getting a drop on a 1-year lag.

For the first time, we are bringing the backlog down. I know you have given us a goal down in this range, which is a very difficult one to achieve, as far as bringing this number down, but for the first time, we are going in the right direction.

You can see that for 1987 we are asking for another increment of about $150 million over and above the new requirement to try to bring this down another $150 million in 1987.

We appreciate your support in this activity, because our Chief and Secretary say when they come and appear before your committees, and they tell us the same thing, people are what get the job done, and we want to support them. That is what this does.

ACTIVE O&M (3400) TOA COMMODITY COMPARISON

[Dollars in billions]

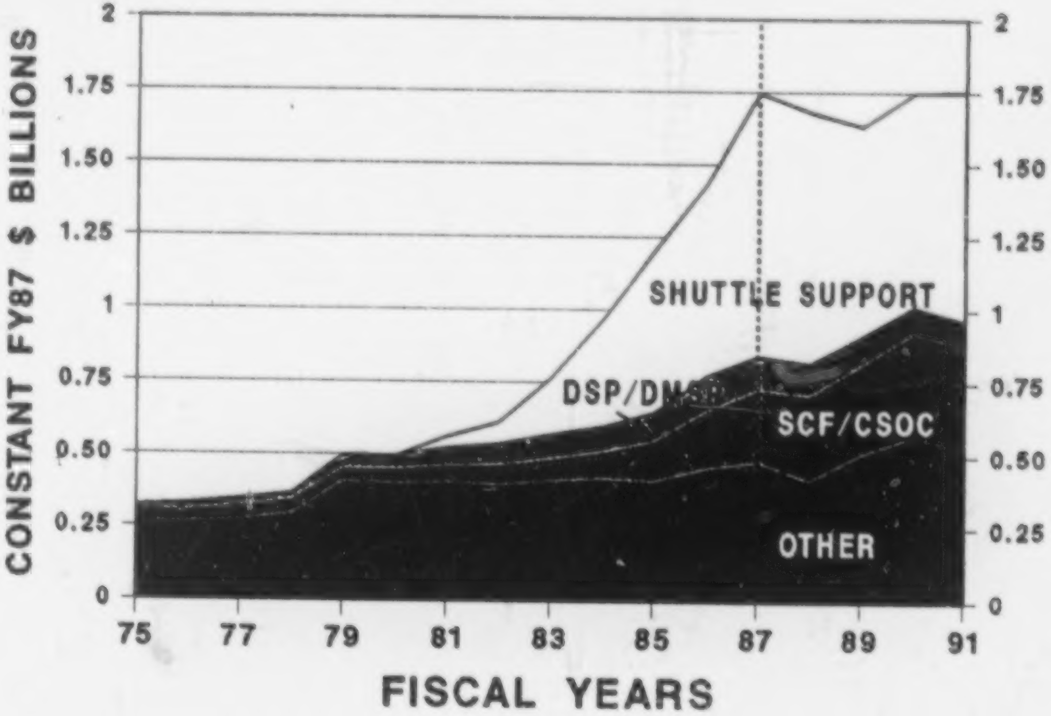
Commodity group	FY86	FY87	Percent real growth
Purchased services	$6.9	$7.5	+8.8
Civilian pay	3.6	3.7	+2.2
Supplies & equipment	2.2	2.3	+4.1
AVPOL	1.8	1.8	+2.6
Travel & transp	1.2	1.2	+2.0
Communication	.6	.6	+1.8
Industrial fund maint	3.2	3.0	−5.4
Utilities, rent & other	.7	.7	−8.9
For Curr & pricing		.4	
Total	$20.2	$21.2	3.1

Next please. Commodity comparison. I showed the chart before showing it by commodities as opposed to Major Force Programs. The big thing on the chart is that most of the growth is going to Purchased Services, and most of that is going to Space.

These are contracts to operate our test ranges at Patrick and the Cape Canaveral area, the Vandenberg area, the new Vandenberg operation in terms of shuttle, the CSOC, and the contractor support we have there. That is where the big increase is.

The 4-percent increase in supplies and equipment which is above our overall average is growing, because we have more B-1's. We have more ground launched Cruise missiles. We have more F-16's, et cetera.

SPACE O&M


CONSTANT FY87 $ BILLIONS
0
0.25
0.50
0.75
1
1.25
1.50
1.75
2
75
77
79
81
83
85
87
89
91
FISCAL YEARS
SHUTTLE SUPPORT
DSP/DMSP
SCF/CSOC
OTHER

Next please. Space O&M. It is really a dramatic chart. This is in constant dollars. In other words, these dollars are worth the same as those dollars. You can see it increases from $300 million to $1.75 billion. That is a factor of almost 6, 5 to 6 in this 12-year period.

So it is really going up, but I am pleased to show you that in fact it is leveling off. We have so much going in terms of getting Vandenberg ready to operate and support the shuttle, and getting the CSOC ready to operate. Those costs are now leveling off.

The $312 million of real growth, or half the real growth that I have been talking about here today in our total budget is right here.

Mr. **Daniel**. Mr. Martin.

Mr. **Martin**. What do you project, then, General, is going to be the impact on that slide by the recent tragedy?

General **Spangrud**. We really have not had a chance to figure it out. It is a very complex thing because some of the things we cannot wait on. We have a Complementary Launch Vehicle [CELV] which Secretary Aldridge, our Under Secretary has been over pressing for the last couple of years.

You have approved that. We are buying 10 of these. Our problem is: is that coming fast enough for us to use as a backup, or will we have to get those earlier.

Mr. **Martin**. How far does that push back your program on the Vandenberg, over all?

General **Spangrud**. We do not know, sir. We just do not know yet.

Mr. **Martin**. Whether it happens slow or stretches, you are going to have to take that on?

General **Spangrud**. Absolutely, sir.

Mr. **Martin**. There are savings that we did not want or plan on, or whatever, but there are going to be savings from your point of view, because we are not going to be able to keep the schedule.

General **Spangrud**. We always have to look at the schedules that we have, because so many of our programs are such that they cannot wait. We really can not talk about it in an unclassified session.

In my conversations with the Under Secretary, it is obvious that we have got to do some things very quickly in order to make up the shortfall that we perceive.

Mr. **Martin**. All that notwithstanding, the fact that we do not—now we are one shuttle short.

General **Spangrud**. We have priority.

Mr. **Martin**. It will be delayed.

General **Spangrud**. Well, right now, the July launch at Vandenberg has not been affected. We have not adjusted. The military has priority as far as putting items on the shuttles.

So, we should be the least affected, but unfortunately there are other very important programs, too. So, we really have not been able to sort that out yet. Of course, our director for space is on the investigating panel.

So, he has a tough job. He is supposed to be working on that problem, and he has also to work on the other launch.

That slows us down a little bit.

Next please.

Mr. **Daniel**. General, what percent of the total Air Force budget goes to space?

General **Spangrud**. I have not calculated that. Well, I would say 10 percent, and I will get you a better answer for the record, sir.

Mr. **Daniel**. That is all right.

General **Spangrud**. Of the DOD space budget our percentage is between 80 and 90 percent, depending which year you are looking at. In the outyears, it is not quite that great, but right now it is close to 90 percent. I know that overall——

Mr. **Daniel**. Of the total space programs?

General **Spangrud**. Of the total space program, the DOD—about 90 percent of it is Air Force, and the outyears have declined somewhat. The figure I remember is 10 percent of our budget goes to space, but we will provide a number on that, unless somebody has it here.

[The following information was received for the record:]

11.3 percent of the total Air Force Budget goes to Space (AF TOA: $104.5B/AF Space Budget: $11.8B)

Mr. **Daniel**. Is SDI included in that?

General **Spangrud**. Sir, the SDI Program is all under the one SDI title managed by General Abrahamson, sir. Now he comes to us, and contracts with us. We spend some of his money.

SUMMARY

We are more ready today than in FY80.
About ⅕ increase in air refueling capability.
About ¼ increase in total intertheater.
Airlift capability (C-5, C-141, KC-10 and craf).
About ½ increase in intertheater (C-130).
Airlift exercise participation.
About 100% increase in fighter exercise participation.
Training and exercising—flying safer.
Accident rate per 100,000 F/H's has been cut almost ½—lowest level in history.
Force has been expanded and modernized.

I hate to introduce new information on the summary, but I have done it here. I have violated it, but you can see that we have had some tremendous increases in readiness, 20 percent in our refueling capability, a fourth more in intertheater airlift capability with our airlifters including CRAF, KC-10.

A half increase is in intertheater, C-130 participation and exercises, 100-percent increase in fighter exercise participation, large scale exercises. Each morning I review a sheet we put out where our aircraft are exercising throughout the world, and it has just grown. Well, it has doubled is what it has done from the time that I have been reviewing it.

That means these people are just that much more ready to go to war and operate with our allies. Training and exercising, the more you fly the safer you fly. The more you fly the better you are, the more confidence you have and the better job you do.

So, therefore, the increased flying hours have given us the lowest accident rate in our history. The forces were extended, modernized. They are ready, and we thank this commiteee for the support in the past, and we look forward to your support this year for 1987.

[The statement of Lt. Gen. Truman Spangrud follows:]

PREPARED STATEMENT OF LT. GEN. TRUMAN SPANGRUD

Mr. Chairman and Members of the Committee:

I am pleased to appear before this Committee to present and discuss the Operation and Maintenance (O&M), Air Force budget request for FY 1987. My statement will compare the FY 1987 budget with FY 1985 and FY 1986 funding levels (actual and budgeted) and will highlight the forces, manpower, programs, and resources supported by O&M funds.

The following is a summary of the FY 1985-87 O&M budgets:

	($ Millions)		
	FY 1985	FY 1986	FY 1987
O&M, Air Force	$19,217	$20,177	$21,214
O&M, Air Force Reserve	878	903	976
O&M, Air National Guard	1,825	1,813	1,933
Total Air Force	$21,920	$22,893	$24,123

I will focus my comments on the O&M, Air Force budget. The Air Force Reserve and Air National Guard budgets will be separately reviewed by this committee.

I would like to point out that the impact of the Balanced Budget and Emergency Deficit Control Act of 1985, Public Law 99-177, is not included in our FY 1986 program numbers. All numbers are based on our enacted appropriation for FY 1986 prior to this new legislation. The implementation of this Act will reduce our FY 1986 Congressionally approved program by 5% or $965 million. As with any O&M reduction, this cut will affect both our short run readiness position and our long run combat capability. Affected programs include civilian personnel, flying hours, backlog of maintenance and repair (BMAR), depot maintenance, supply and equipment funding, services, and travel. Thus, we have serious concerns that P.L.

99-177 will decrease the tremendous strides we have made in restoring the readiness of our force structure.

OPERATION AND MAINTENANCE, AIR FORCE

The O&M appropriations, along with the Military Personnel appropriations, finance the day-to-day business of the Air Force. O&M funds buy the resources to operate and maintain weapon systems and facilities, purchase supplies, equipment, fuel and contract services, and pay civilian employees. These funds impact directly on the operational readiness of our forces.

The following table shows the O&M funding, actual and proposed, for the active Air Force, FY 1985-87:

O&M, AIR FORCE

BY MAJOR FORCE PROGRAM

($ Millions)

	FY 1985	FY 1986	FY 1987	Real Growth
Strategic Forces	$ 3,185	$ 3,315	$ 3,585	+6.4%
General Purpose Forces	4,048	4,484	4,710	+3.9%
Intell and Comm	2,095	2,340	2,874	+19.1%
Airlift Forces	1,274	1,185	1,215	+.2%
Cen Supply and Maint	5,987	6,053	5,915	-4.2%
Tng, Med and Other Gen Pers Activ	2,064	2,213	2,320	+1.9%
Admin and Assoc Activ	558	581	589	-.3%
Support of Other Nations	6	6	6	-3.3%
TOTAL	$19,217	$20,177	$21,214	+3.1%

The FY 1987 O&M, AF, budget grows by approximately one billion dollars or 3.1% real growth over FY 1986. Of the one billion dollars, 39% is for price growth and 61% is for program growth. One reason for the low inflation dollar value is that the FY 1987 civilian pay raise is in the DoD Contingency line item. Major program increases occur in Strategic Forces, General Purpose Forces, and Intelligence and Communications including the DOD space support program managed by the Air Force. Major program decreases occur in Central Supply and Maintenance activities.

Program growth in Strategic Forces includes O&M support for the B-1B program, increased strategic reconnaissance support, Peacekeeper, initial contract support for the Advanced Cruise Missile and logistics upgrades for the Minuteman. These program increases are partially offset by decreased O&M for classified programs.

General Purpose Forces has program growth in the Ground Launch Cruise Missile Program to support increased operations and modernization of NATO nuclear forces. Command and Control has program growth because of increased communications and maintenance support for USAFE, TAC, and PACAF. The TAF flying hour program has increased costs because of increases in F-111, F-15, A-10, F-16, F-4G, F-5, and KC-10A flying hours. Increased funding for facility projects-by-contract will reduce the Backlog of Maintenance & Repair (BMAR). Air Base Survivability has decreasing costs because of a one-time funding in FY 1986 for a limited series of bilateral agreements for protecting U.S. Tactical Air Augmentation Forces.

The Intelligence and Communications Program accounts for the largest increases in FY 1987. The Space Launch Support Program has increasing costs to support continuing operational activities at the Vandenberg Space Shuttle Launch and Landing Site. Seven equivalent DoD space shuttle missions are planned for flight in FY 1988 which are funded in FY 1987. Consolidated Space Operations Center operations capability will continue to increase incrementally through post-FY 1992. The Space Boosters increase is attributed to a 1 1/2 year extension of Titan 34D launch services at Cape Canaveral AFS to support an added launch for a significant national mission.

The Airlift program has two major program decreases for FY 1987. One decrease is due to flying hour reductions in C-5, C-141, and C-130 programs resulting from inventory reductions.

In Central Supply & Maintenance, major reductions occur in depot maintenance, environmental restoration, modernization, inventory control, and transportation.

The increases in Training, Medical, and Other General Activities include increased data automation support and training of civilian personnel to improve acquisition contracting procedures, utilization of Uniformed Service Treatment Facilities, DOD Medical Review Board, and contracting for Academy and ROTC Entrance Examinations. Decreases result from reduction in the funds spent for the leasing of Information Systems and other equipment as well as reduced funding for the Education Assistance Test Program, decreased AIDS testing costs, and war readiness equipment procurement.

Administration and Associated Activities account for the remaining program changes. Increases are for disability compensation and productivity investment funding offset by RPM and ADP decreases.

Details on the price and program growth are provided on the following pages.

ESTIMATED PRICE CHANGE

The budgeted price growth of $425 million in FY 1987 is driven by price increases for non-personnel purchases and changes in revolving fund account refunds. These price changes permit a realistic estimate for inclusion in the Authorization and Appropriation Acts to execute the approved O&M programs.

O&M, AIR FORCE

PRICE AND PROGRAM CHANGE BY CATEGORY

($ Millions)

Category	Price Growth	Program Growth	FY 86 to FY 87 Change
Civilian Personnel	$ +1	$ +115	$ +116
Travel	+7	-3	+4
Stock Fund (SF)	-20	+118	+98
Industrial Fund Maintenance	-18	-199	-217
Transportation	-2	+27	+25
Other Purchases	+353	+554	+907
SUBTOTAL	$+321	$+612	$+933
Refunds	+86	-	+86
Foreign Currency	+18	-	+18
TOTAL	$+425	$+612	$+1,037

The last two items relate to the FY 1986 refunds and Foreign Currency changes which are shown separately for clarification. In FY 1986, the Air Force received $556 million in refunds from Revolving Fund accounts; the FY 1987 PB contains $470 million. Decreased refunds act as positive price growth when looking at FY 1987 changes. Likewise, the change in the amount of the appropriation subject to Foreign Currency results in positive price growth.

WHAT O&M BUYS

Although O&M funding is critical to readiness, the O&M account is not well understood by many who have an otherwise excellent knowledge of military affairs. Even members of the armed forces often have a limited knowledge of what it buys or how it fits into the overall budget. It is difficult to grasp the full range and importance of the O&M account.

The O&M appropriation provides the money used to buy fuels, lubricants and expendable parts for aircraft, missiles, and vehicles. It is also used to maintain runways and facilities, operate the physical plants, communicate around the world, perform depot maintenance on weapon systems, train and provide health care to people, and pay civilian employees. All levels of Air Force management are active in managing, budgeting, and executing O&M. The primary determinants of O&M dollar requirements are force and base structure, flying hours, and manpower. The O&M account provides the "life blood" for combat and support forces.

In terms of aggregate physical plant, major units, combat training activities, and other gross quantitative indicators, the following kinds of things are acquired and/or supported with O&M funds (FY 1987 data):

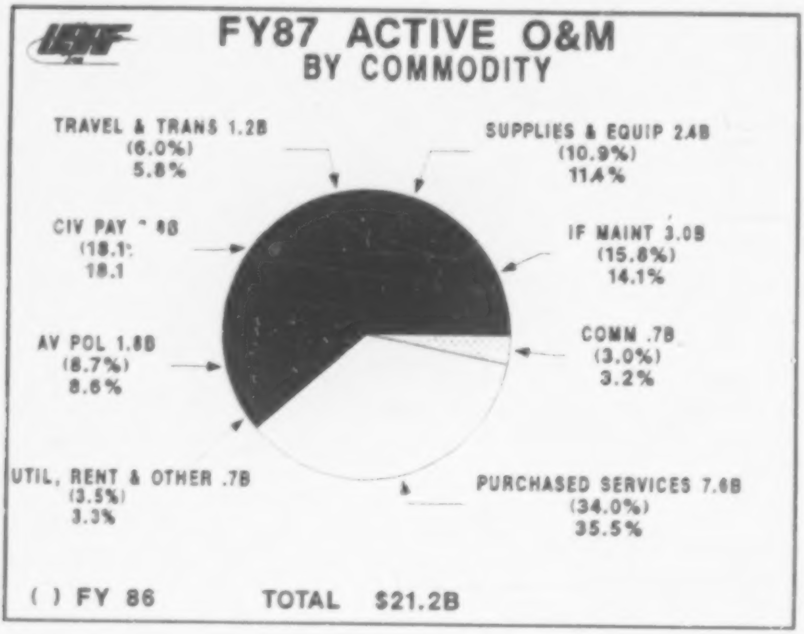
- Major installations - 127 (Active) (Up 1 from FY 1986)

- Aircraft flown and maintained (TAI) - 6,642 (O&M, AF, aircraft inventory) (Down 61 from FY 1986)
- Flying hours - 2,426,745 (O&M, AF) (Up 28,452 from FY 1986)
  - -- Aircraft POL - 59,161,000 BBLS (active) (Up 1,694,000 from FY 1986)
  - -- Other POL - 8,235,000 BBLS (active) (Down 111,000 from FY 1986)

- Personnel paid or supported -
  - -- Military - 607,200 (active only) (Up 730 from FY 1986)
  - -- Civilian - 160,794 (O&M, AF) (Down 93 from FY 1986)

- Airfield pavements - 250 million square yards (No change from FY 1986)
- Roads and streets - 12,000 miles (No change from FY 1986)

The Air Force budgets, manages and administers its funds by Major Force Program (previously shown). However, it is also useful to look at what O&M buys in terms of commodities; that is, broad classes of goods and services. The following chart shows the composition of O&M, AF costs by commodity class. (Shown in parentheses are last year's %.)



O&M AND READINESS

The military might of a nation has historically been measured in terms of troop strength and quantities of hardware: divisions, tanks, aircraft, missiles, and ships. An assessment of military capability based exclusively on quantities of equipment and number of personnel ignores the essential element of combat readiness. Readiness is defined as the capability of military forces, units, weapon systems, equipment and personnel to perform functions, at the outbreak of hostilities, for which they have been designed, organized, or trained. As such, it is an element of overall military capability, along with the forces in being (force structure), age and technological capability of weapon systems and equipment (modernization), and the ability to continue effective military operations over an extended period of time (sustainability).

Virtually every O&M dollar the Air Force spends contributes to readiness in some way. However, since much of the Air Force O&M budget is spent on programs whose true effectiveness can be measured only during actual hostilities, it is difficult to quantify precisely the readiness impact of every O&M expenditure in peacetime. For example, quantifying the additional readiness derived from one additional sortie by an aircrew is difficult. Even more intangible is the effect on morale and readiness generated by painting or furnishing airmen dormitories. Despite this difficulty, an overall direct relationship exists between the programs O&M buys and the day-to-day readiness of the Air Force.

AIRCRAFT INVENTORY AND FLYING HOURS

A substantial portion of the total O&M budget directly supports flying operations. A large part of the depot maintenance program, all of the aviation petroleum-oil-lubricants (AVPOL), and roughly one-third of the supplies purchased with O&M funds are used to support flying operations.

The need for aviation POL and supplies is generally understood. Aviation POL is the fuel consumed in the flying of aircraft and in maintaining and testing of engines. Supplies are the relatively low cost replacement parts and other expendable items used by field maintenance organizations to repair aircraft.

Flying hours generate expenditures for aviation fuel, supplies, and depot maintenance, TDY training, range time, and transportation. Just as important as the hours themselves are where and how they are flown. Straight and level flight, for example, does little to prepare a fighter pilot for war. Aircrews must practice, as nearly as possible, under conditions they would face in actual combat. Training must be rigorous and realistic to allow crew members to exploit the full potential of their weapon system. As weapons have become more expensive and more lethal, "live" practice with weapons has become increasingly limited. Electronic simulation devices have, to a large extent, supplemented practice with actual weapons. Improved technology enhances realism when electronic simulation devices are used.

To meet this training challenge, highly sophisticated training ranges are being maintained at the Tactical Air Warfare Center, the Tactical Fighter Weapons Center, the Strategic Training Range Complex, and other weapons training sites. Here aircrews can simulate weapons releases against simulated enemy defenses. These ranges and the simulation devices, such as Air Combat Maneuvering Instrumentation (ACMI), are supported with O&M dollars.

Generally, aircrews must deploy to use the ranges. For example, an F-15 squadron from Langley AFB, Virginia, may deploy to the range near Nellis AFB, Nevada. When a squadron is deployed, its maintenance capability goes with it. Maintenance people, spare parts, tools and equipment are deployed, and we provide a travel allowance to aircrews and maintenance personnel which helps offset their additional living costs. The spares and required maintenance equipment must also be transported to the range. All these transportation and TDY costs are paid with O&M dollars.

Training deployments produce other readiness benefits. U.S. based units become more effective by deploying to Europe or the Pacific to train in the environment in which they may have to fight. Effectiveness of our alliances is improved by conducting exchange and interoperability exercises with allied nations. These exercises require significant expenditures of O&M funds, but have a high payoff in readiness training. For aircrews and maintenance personnel to perform the duties for which they train, they must have the weapons, maintenance equipment, parts, and supplies they need. Transportation of materiel from supply centers in the United States to the using unit, wherever it might be, is paid with O&M funds.

The following table shows the active aircraft inventory and the flying hours funded by O&M funds.

O&M, AIR FORCE ACTIVE AIRCRAFT INVENTORY AND FLYING HOURS*

FY 1986			FY 1987		
PAI	TAI	Flying Hours	PAI	TAI	Flying Hours
5,839	6,703	2,398,293	5,829	6,642	2,426,745

*Includes Foreign Government owned (FGO) aircraft operated by the U.S.

The primary aircraft inventory (PAI) is the inventory of aircraft actually assigned to units for the performance of their operational missions. The total aircraft inventory (TAI) is the inventory of aircraft that includes the primary aircraft inventory (PAI) and the backup aircraft inventory (BAI). The backup aircraft are those assigned to units to permit scheduled and unscheduled maintenance, modifications, inspections and repairs without reduction of aircraft available for the operational mission. Changes in the flying hour program are correlated with changes in PAI, since PAI is the inventory factor in determining the allocation of flying hours to units.

The O&M primary aircraft inventory has a net decrease of 10 aircraft in FY 1987 as a result of the Air Force's modernization program and includes replacing older F-4s with F-16s, and adding additional B-1B, KC-10 and TR-1 aircraft to the inventory.

The O&M flying hour program has an increase of 28,452 hours in FY 1987 primarily to support force modernization.

The development of the Air Force flying hour program follows the same general planning, programming, budgeting and execution phases as other O&M programs. The program is designed to meet, within fiscal constraints, aircrew training requirements to ensure a responsive and ready force. The two major factors in the development of the program are aircrew requirements and sortie generation capability. In close coordination with the Major Air Commands, the Air Force establishes its program based on the lower of these two factors. The Air Force recognizes that any growth in the flying hour program must consider logistic supportability and aircrew availability along with aircrew requirements.

MILITARY AND CIVILIAN PERSONNEL

It is vitally important that our manpower be considered a resource that is directly tied to programs like the B-1, F-16 and support for our combat forces. Reduce a program and the manpower supporting that program will be reduced. However, reductions in manpower without reductions in program cause program delays, turbulence or even the termination of some programs that have Congressional approval as these unspecified manpower reductions are levied across functional areas. The link between programs and manpower is critical to carrying out the intentions of both Congress and DOD and should not be severed.

The following table shows a comparison of Air Force military and civilian personnel for FY 1985-87:

(End Strengths)

	FY 1985	FY 1986	FY 1987
Military (active forces only)	601,515	606,470	607,200
Civilian	263,868	261,740	263,298
O&M, AF	160,080	160,887	160,794
Industrial Fund	47,064	43,813	43,861
RDT&E, AF	19,269	18,953	19,821
O&M, AFR	12,836	13,253	13,717
O&M, ANG (includes technicians)	24,619	24,834	25,105

The Air Force manpower program for FY 1987 reflects a minimal growth in military personnel (+730) and civilian personnel (+1,558) from FY 1986 levels. The military growth represents a 0.1% increase above the FY 1986 active force strength and the civilian growth only 0.6% increase. While the aggregate growth is small, the Air Force has accommodated almost 9,300 new active, military manpower requirements from within the existing baseline. These new requirements support deployment of the B-1 bomber, F-16 tactical fighters, the ground launched cruise missile, KC-10 tankers and special operations and rescue aircraft as well as satellite operations, aircraft maintenance, and medical support. Offsets for these increases were achieved by rebasing or eliminating older weapon systems and by Air Force management initiatives. For example, strong retention allowed us to reduce accessions and training and Congressional elimination of civilian ceilings for FY 1986 allowed us to convert non-military essential positions to civilian. This latter action plus conversions of military to civilian in anticipation of OMB Circular A-76 cost studies and full time support of our modernizing Air Reserve Components constitute the basis for most of our civilian growth. The remainder provides logistics support for the B-1, C-17, and Peacekeeper weapon systems.

PRODUCTIVITY INITIATIVES

OMB Circular A-76 cost comparisons continue as part of our overall effort to reduce Air Force operating costs. Workloads which do not require either military or in-service civilian personnel are considered for potential contract performance in accordance with the Circular. An in-service essentiality review to ensure that combat readiness would not be compromised is accomplished before an activity is identified for cost comparison. Such cost reviews compare the total Government cost of the most efficient in-house operation to the total cost of contracting such services. The decision to perform in-house or by contract is based upon the results of the cost comparison. Contractor performance is subsequently monitored to ensure that we continue to receive the best service for the lowest cost.

Currently the Air Force is conducting cost comparison studies involving more than 450 activities which have approximately 7,400 manpower authorizations. The Air Force has long considered the contract alternative a viable and efficient means of accomplishing workload; however, national defense considerations are primary in any contracting-out decision.

Over the next five years, the Air Force will be conducting functional reviews on those commercial activities that must remain in-house for national defense reasons. Functional reviews will be conducted with the objective to eliminate unnecessary and inefficient work practices, thus reducing operating costs. The functional review process looks at wartime, as well as peacetime requirements to assure that peacetime economies will not adversely impact on combat readiness. Reviews are planned in virtually every functional area, encompassing nearly 620,000 authorizations (military and civilian). Thus far we have reviewed 2 percent of the data base and 620 authorizations have been reprogrammed to satisfy other valid requirements. By the end of FY 1986 we should complete the study of over 100,000 spaces, about 16% of the data base.

Finally, Air Force capital investments have offset 3700 manpower requirements since FY 1981. About one-third of this number was against existing requirements.

DEPOT PURCHASED EQUIPMENT MAINTENANCE

The Depot Purchased Equipment Maintenance Program (DPEM) is one of the most visible of the O&M programs because of its cost and direct impact on force readiness. DPEM provides for centralized maintenance and modification of aircraft, missiles, engines, other major equipment, and exchangeable subassemblies and components that are repaired or modernized at the Air Logistics Centers, through interservice support, and by contract. The current annual expenditure for depot maintenance is large in dollar terms, but it is small in comparison to results. The funds spent for depot maintenance both maintain and improve war fighting capability. Combat training must be rigorous to be effective. Under the stress of such training, equipment can deteriorate rapidly. Air Force equipment is also exposed to the elements in some of the world's harshest environments. Since we train with the weapons we will fight with, deteriorated equipment must be restored or replaced. By restoring equipment to a ready state, depot maintenance helps us avoid tremendous investment costs.

Besides deterioration, we must deal with obsolescence and the resulting need for new capabilities. In many cases, we avoid buying new equipment by modifying existing systems. The B-52 cruise missile conversion and the KC-135 reengining program are examples of current modifications. Although modification kits are bought with procurement funds, installation is an O&M cost -- whether accomplished by contractors or by in-house personnel.

The DPEM backlog is zero in FY 1986. The DPEM funding is shown below:

	($ Millions)		
	FY 1985	FY 1986	FY 1987
Funding	$3,120	$3,211	$3,010

The four major factors that drive the requirement for depot maintenance are the number of aircraft in the inventory, the hours flown, the complexity of aircraft and their systems, and the age of the aircraft. The trends in number of aircraft and flying hours are portrayed on earlier charts. The following table shows the age of the aircraft in the inventory.

AGE OF AIRCRAFT

Fiscal Year	Inventory	No. 9 Yrs +	% 9 Yrs +
1964	15,214	5,173	34%
1973	10,801	5,076	47
1974	10,156	5,383	53
1975	9,334	5,134	55
1976	9,274	5,758	62
1977	9,227	6,295	68
1978	9,114	6,671	73
1979	8,931	6,757	75
1980	9,041	6,968	77
1981	9,157	6,945	76
1982	9,198	6,964	76
1983	9,330	7,025	75
1984	9,380	6,862	73
1985	9,418	6,897	73

The foregoing data indicates that in spite of the ongoing modernization program, the average age of aircraft in the force grew perceptibly over the past two decades. For example, the percentage of aircraft over nine years old went from 34 percent in FY 1964 to 73 percent in FY 1985. This aircraft aging is reflected in the increased cost of aircraft repair, maintenance and modification.

STOCK FUND

The Air Force Stock Fund request for Total Obligational Authority (TOA) of $239.4 million in FY 1987 supports peacetime inventory augmentation ($140.0 million) and procurement of War Reserve Materiel (WRM) ($99.4 million).

The $140.0 million requested for peacetime inventory augmentation provides for the procurement of inventory to support force expansion, force modernization, and materiel readiness initiatives.

The FY 1987 peacetime inventory augmentation request is composed of the following:

- $124.1 million to support force expansion which includes introduction of new weapon systems such as the B-1B and increased inventory of C-5Bs, F-15s, and F-16s.

- $15.7 million to support force modification which includes initial support for major modifications to weapon systems such as the F-4, C-135, C-141, and F-111 aircraft.

- $0.2 million to support readiness initiatives that will improve support of customer demands at wholesale and retail operating activities.

The FY 1987 WRM request allows the Air Force Stock Fund to continue building the capability to meet combat sustainability objectives and to preposition medical supplies and rations that are essential for the care and sustenance of our personnel during combat operations.

Full funding of this request will enable the Air Force to procure the proper mix of stock to: (1) support initial readiness of new weapon systems entering the force structure and modifications to existing systems; (2) expand the range and depth of inventory stockage levels at both wholesale and retail activities to support increased peacetime activity and improve materiel availability; and, (3) provide the supplies and rations essential to maintain the fighting capability and survivability of our forces.

Gramm-Rudman funding impacts will reduce Air Force Stock Fund total obligation authority in FY 1986 by $20.4 million. The effects of this reduction include decreases in: (1) availability of aircraft, missile, and support equipment repair parts; (2) barrels of WRM fuel on-hand; (3) availability of WRM rations; and (4) hospital supplies and equipment.

FACILITY MAINTENANCE AND REPAIR FUNDING AND BACKLOG

About 12% of the O&M budget is spent for maintenance and repair of real property and other civil engineering activities. Much of the physical plant in the Air Force is the supporting structure for readiness: maintenance hangars, aircraft shelters, missile silos/launch facilities, satellite control facilities, and runways. This supporting structure is especially important because the Air Force, unlike the other Services, will fight from its air bases. Much of the physical plant is of World War II or Korean War vintage, and we are spending large sums of money to maintain facilities. Some of these, particularly overseas, more practically should be replaced. Utilities and operating costs for these old facilities are unavoidably expensive as well. Shortages of Military Construction funding have forced the Air Force to continue to operate and maintain some marginally effective facilities.

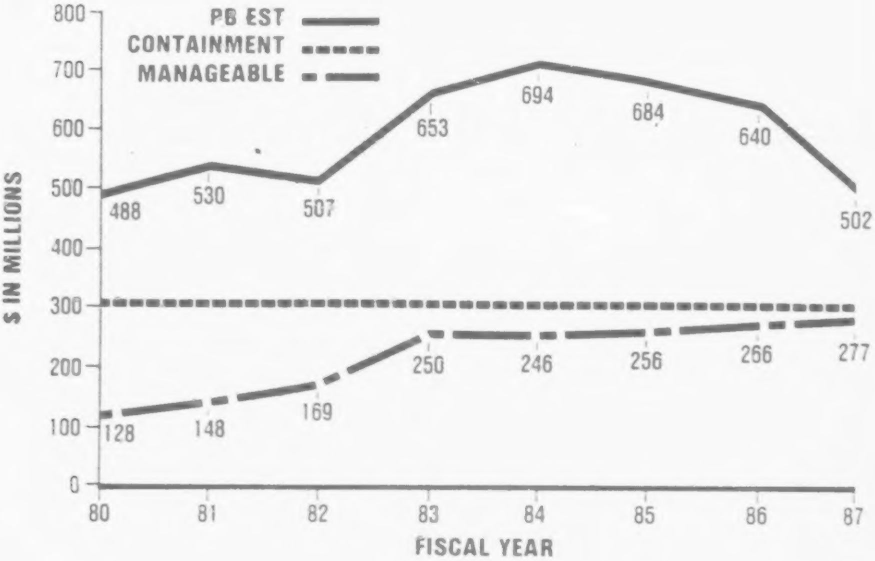
A method of evaluating physical plant condition is the backlog of maintenance and repair (BMAR). The BMAR is not a measurement of the total maintenance and repair requirement. Rather, it is a measurement of identified requirements which have been deferred. As our physical plant ages it takes more O&M and MILCON funding to keep the BMAR from growing. The Air Force has gone on record to emphasize the undesirability of large scale deferral of maintenance and repairs. With the help of the Congress, we have been able to arrest the growth in FY 1985 and FY 1986. Even with the keen competition for funds in this year's budget, we have included sufficient funding to make some sizeable reductions in FY 1987. We project the end of FY 1987 BMAR to be about $502 million. While this is still above the Congressional containment level of $300 million, with your help, it now represents a decline of $389 million from levels previously projected for the end of FY 1986. We earnestly need your continued support of the Air Force real property maintenance funding requests during considerations of the FY 1987 budget.

FACILITY MAINTENANCE AND REPAIR (O&M, AIR FORCE)

($ Millions)

	FY 1985	FY 1986	FY 1987
Backlog (BMAR)	$ 684	$ 640	$ 502
Funding	$ 575	$ 626	$ 703

Backlog of Maintenance and Repair



RECRUITING AND ADVERTISING

Recruiting of quality personnel is essential if the Air Force is to continue to meet its critical skill requirements. The O&M resources necessary to meet the recruiting goals in FY 1986 and FY 1987 are:

($ In Millions)

	FY 1986	FY 1987
Recruiting	$ 28.8	$ 29.9
Advertising	17.6	18.3
Total	$ 46.4	$ 48.2

Total Air Force recruiting objectives are:

	FY 1986	FY 1987
Enlisted	67,000	66,900
Officer	2,300	2,619
Health Professionals	1,742	1,443
Total	71,042	70,962

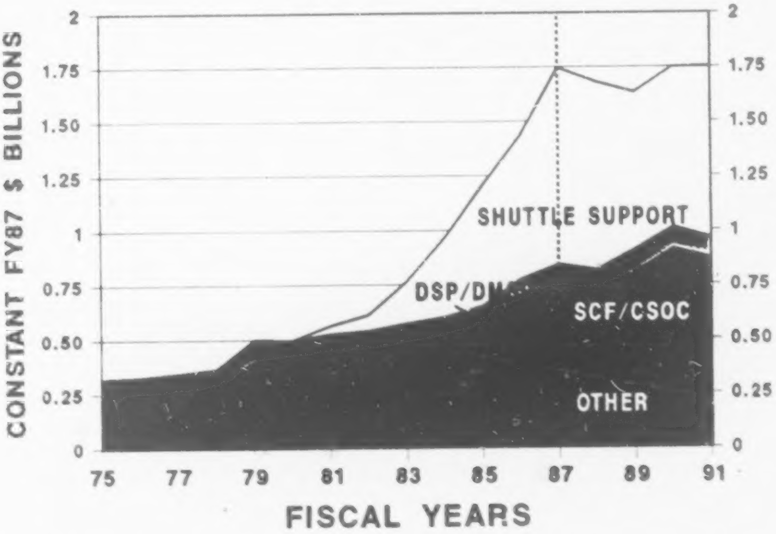
The increase of $1.8 million between FY 1986 and FY 1987 includes $1.5 million price growth and $.3 million program growth. Although we are currently achieving our enlisted accession goals (Non-Prior Service and Prior Service), increased emphasis is needed to sustain our success, particularly in difficult recruiting programs such as electrical engineers, physicians in critical specialties, and fully qualified prior service personnel targeted at critical skills. FY 1987 program growth is required to fund applicant processing and direct recruiter support costs necessary to recruit an additional 2,095 (+3%) enlisted, officer, and medical personnel than in FY 1986. There is no program growth in advertising as we will align our resources internally to meet our most difficult recruiting programs.

SPACE OPERATIONS

Our current space systems support a variety of functions such as navigation, communications, surveillance, treaty monitoring and weather observation. The global access of our satellites coupled with their efficiency in terms of mission and cost are our primary reasons for space activity.

The following chart shows the O&M, AF funding for the space program from FY 75-91.

SPACE O&M



The Air Force is the Department of Defense executive agent for acquiring and operating the Shuttle facilities at Vandenberg Air Force Base. The Vandenberg Shuttle Launch Facility was officially activated on October 1, 1985 and the Orbiter *Discovery* is currently scheduled for launch in July 1986. The increase in O&M ($+243.0 million) that is needed to support Vandenberg operations as well as Shuttle launches at Cape Canaveral is contained in the Space Launch Support Program line. This growth is primarily attributed to shuttle orbiter flight charges and the Shuttle processing contract for which the Air Force reimburses NASA.

The overall impact to Air Force launch requirements due to the recent loss of the Shuttle *Challenger* has not been determined. NASA has grounded the Shuttle fleet pending findings of their accident investigation. DOD is currently assessing the impact of this significant loss and ways to mitigate the impact. Regardless, based upon the pricing/reimbursement agreement between the Air Force and NASA, the Air Force is committed to provide funds in FY 1987 to pay for FY 1988 flights.

Our current inventory of Expendable Launch Vehicles (ELVs) is being exhausted. The last Titan III will be delivered in 1986 and the Atlas E refurbished ICBMs will be used to launch the Defense Meteorological Satellite Program (DMSP) through 1989. The Air Force no longer has any backup ELVs and all have been assigned to primary launch missions. We are planning to convert decommissioned Titan II ICBMs into launch vehicles for DMSP and classified program launches to occur between FY 1988 - FY 1990. Program growth in the Space Boosters line is $15.1 million and is attributed to a 1 1/2 year extension of Titan 34D launch services at Cape Canaveral to support an added launch for a critical national security payload.

In his National Space Policy Directive, the President codified the firm requirement for assured access to space. In order to implement the President's policy, the Air Force has initiated production of 10 ELVs that will be capable of launching shuttle-sized satellites. These ELVs will be used to complement the Shuttle for the JCS's top priority satellite programs. To the greatest extent affordable, the Complementary ELV (CELV) program will provide a Shuttle-complement that reduces commonality with shuttle components, facilities, and industrial base. Furthermore, while satisfying immediate national security requirements, the CELV program, when coupled with the Shuttle, provides a sound foundation for progress toward the nation's space transportation goals for all sectors -- civil, commercial, as well as national security. Operation and Maintenance funding for the Complementary ELV will begin in FY 1989.

The Consolidated Space Operations Center (CSOC) located at Falcon AFS, Colorado Springs, CO combines two major missions for the DOD -- satellite control and military Shuttle operations. The CSOC Satellite Operations Complex (SOC) will plan and execute control of operational DOD satellites. The Shuttle Operations and Planning Complex (SOPC) will provide limited Shuttle flight planning and conduct Shuttle mission operations for DOD flights. The CSOC buildup and other site facilities were completed in September 1985. The Global Positioning System (GPS) master control station, a tenant activity at CSOC, became operational in FY 1986. CSOC operational support for satellite Mission Control Complex I (MCC I) began in FY 1986 and will continue to incrementally increase until a full operational capability is achieved in FY 1992. The CSOC has a $57.4 million growth in FY 1987 which is primarily attributed to the support required for the operation of MCC I, the operational software maintenance complex, and the network scheduling and control functions, and the preparation to activate MCC II.

PEOPLE

People are the key resource. No investment in equipment and facilities would produce readiness without well-trained, motivated, and dedicated people. We must attract and retain high quality people, train them to do their jobs, and sustain them and their families. That requires O&M funding. Our recruiting stations, advertising, and the leased vehicles used by recruiters are paid for with O&M funds. Our technical training centers are operated with O&M funds. These centers train recruits in entry level job skills and, as they progress in their careers, provide the skills they need to become senior technicians and managers. When new weapon systems such as the F-15 are bought, instructors and maintenance personnel are sent to the manufacturers' plants for training.

Once military personnel are trained and in the field, most of their operating support, except for pay and food, is provided by O&M funding. Dormitories are maintained and equipped with O&M funds, and dining halls are operated with O&M funds. Morale, welfare, and recreation facilities receive O&M support. The level of real property maintenance funds determines the condition of working facilities. These types of personnel support costs probably have more impact on retention than anything other than pay. Dollars spent for personnel support help avoid much larger costs needed to train replacements for dissatisfied people who leave the Air Force.

Civilian employees compose a large and important segment of the Total Force. Their contributions improve readiness and mission accomplishment on a daily basis. We are committed to keeping our civilian members full partners in the Total Force.

Civilian personnel management faces many of the same challenges as the military. In particular, the need to attract and retain high quality people is both a necessity and an area of concern. The Air Force will be competing in a very difficult market as we continue to convert military positions to civilian. Further, once we attract these technically oriented employees, we must ensure our personnel system responds to their needs for recognition, advancement, and security.

Before discussing the details of each Major Force Program (MFP), I would like to show the effect that P.L. 99-177, the Balanced Budget and Emergency Deficit Control Act of 1985, will have on our programs. The reductions below are not included in any of our MFP detail since all numbers are based on our enacted appropriation for FY 1986. The chart below shows a breakout of the $965.4 million O&M, Air Force reduction by MFP:

MFP	Budget Authority Reductions ($ millions)
Strategic Forces	$ -159.4
General Purpose Forces	-208.1
Intelligence and Communications	-115.0
Airlift and Sealift	-57.7
Central Supply and Maintenance	-290.1
Training, Medical, and Other General Personnel Activity	-106.6
Administration and Associated Activity	-28.2
Support of Other Nations	-.3
Total	$ -965.4

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The following pages provide O&M, Air Force budget data by Major Force Program for FY 1985-87.

STRATEGIC FORCES

Strategic Forces provide the capability to insure credible deterrence in support of national policy. These forces are combined into two major categories: Strategic Offense and Strategic Defense. Strategic Offense forces are those of the Strategic Air Command and consist of aircraft, missiles, and command, control and communication systems. Strategic Defense forces include elements of Space Command, Alaskan Air Command, and Tactical Air Command. Strategic Defense forces include: atmospheric, ballistic missiles, and space surveillance systems, space defense systems, early warning and defense radars, interception aircraft, and the associated command and control for these systems. Funding requirements are summarized in the following table:

	($ Thousands)		
	FY 1985	FY 1986	FY 1987
Strategic Offensive:	$ 2,189,524	$ 2,215,180	$ 2,377,664
Aircraft	$ 1,084,818	$ 1,078,082	$ 1,129,700
Missiles	161,723	195,465	238,330
Other Offensive Operations	68,819	70,042	75,353
Telecom & Command Control	120,465	139,212	156,026
Base Operations	753,699	732,379	778,255
Strategic Defensive:	$ 995,164	$ 1,100,157	$ 1,207,707
Surveillance Radars	$ 258,737	$ 313,066	$ 406,349
Defensive Operations	136,834	166,108	169,290
Other Defensive Operations	141,290	141,559	139,436
Telecom & Command Control	97,609	129,259	123,513
Base Operations	360,694	350,165	369,119
TOTAL	$ 3,184,688	$ 3,315,337	$ 3,585,371

Major program increases in terms of program growth in Strategic Forces for FY 1987 include the following: O&M support for B-1B Program ($+47.2 mill[illegible]). increased strategic reconnaissance support ($+30.0 million). initial contract support for the Advanced Cruise Missile ($+19.5 million), logistics upgrades for the Minuteman ($+5.6 million), O&M support for Peacekeeper ($+10.3 million), O&M support for the Ballistic Missile Warning and Attack Assessment System ($+15.6 million) and C-3 Power Reliability Program ($+7.5 million), Conversion from Mechanical to Phased Array Radars ($+14.3 million), SLBM Detection Warning System Enhancement ($+19 million), Resupply of Remote DEW/DYE Stations ($+7.3 million), and T-33 Aircraft Maintenance Contract ($+10.9 million).

These programs are partially offset by decreased O&M funding for classified programs ($-10.1 million) and cessation of operation of the BMEWS Mechanical Radar ($-7.2 million).

GENERAL PURPOSE FORCES

General Purpose Forces consist primarily of the Tactical Air Command, the Pacific Air Forces, and the United States Air Forces in Europe. These forces provide for air superiority, counter-air, interdiction, close air support, reconnaissance and surveillance, and electronic warfare. The following table summarizes General Purpose Forces funding requirements:

($ Thousands)

	FY 1985	FY 1986	FY 1987
Tactical Fighters & Weapons	$1,505,070	$1,452,667	$1,457,647
Tactical Reconnaissance Electronic Warfare	153,029	198,062	214,569
JCS Exercises	35,719	31,063	33,220
Combat Support	184,720	255,833	306,642
Other Command & Control	165,743	167,358	200,243
Other Tactical Operations	125,419	120,131	121,743
Major Range & Test Facilities	22,597	25,041	27,476
Tactical Intelligence & Special Activities	245,479	352,533	397,915
Telecom & Command Control	130,525	137,426	158,306
Base Operations	1,466,359	1,551,345	1,792,221
Foreign Currency	13,177	192,300	-0-
Total	$4,047,837	$4,483,759	$4,709,982

Major program increases in FY 1987 include support for the flying hour program ($+28.9 million), Ground Launch Cruise Missile (GLCM) program ($+39.1 million), TR-1 Support ($+11.0), intelligence and special activity programs ($+49.8 million), chemical and biological defense programs ($+3.9 million), telecommunications support ($+9.6 million), and Command & Control (includes AWACS, Compass Call, & TAF) programs ($+30.9 million). Real property maintenance and base operating support for GLCM increased ($+17.6 million) and other facility projects increased ($+24.1 million). These increases are partially offset by decreases in classified programs ($-15.9 million), combat support ($-5.0 million), Air Base Ground Defense transfer to the Army ($-3.5 million), and Air Base Survivability ($-20.0 million).

INTELLIGENCE AND COMMUNICATIONS

This program has four major areas of activity: 1) The conduct of National, Department of Defense, and Air Force intelligence and security programs and worldwide communications and command control systems required by both National Command Authorities and the Air Force under all conditions of peace and war; 2) space support activities; 3) specialized functions such as weather service, air traffic control, and Office of Special Investigations (collectively called service-wide activities); and 4) the base operations functions to support these activities. Funding requirements are summarized in the following table:

($ Thousands)

	FY 1985	FY 1986	FY 1987
Telecom & Command Control	$ 668,531	$ 748,443	$ 804,253
Space Support	723,702	924,048	1,279,514
Intel & Service-wide Activities	665,494	634,136	744,060
Base Operations	37,145	33,242	45,853
Total	$2,094,872	$2,339,869	$2,873,680

The changes in funding requirements in FY 1987 include price growth ($+86.5 million), and program growth as follows: Space Launch Support Program ($+243.0 million), Consolidated Space Operations Center ($+57.4 million), Satellite Control Facility ($+1.0 million), Space Boosters ($+15.2 million), Navstar GPS ($+6.8), Weather Service ($+3.7 million), Electronic Combat Intelligence Support ($+2.5 million), Office of Special Investigations ($+1.0 million), WIS Software ($+2.4

million), Defense Data Network ($+2.1 million), Real Property Maintenance ($+10.6 million), ADP Equipment Purchase and Maintenance ($+14.6 million), and Mission Effective Information Transmission System ($+6.5 million).

AIRLIFT FORCES

This program provides the majority of the funds to operate and maintain the Military Airlift Command (MAC). The primary mission of MAC is to maintain the readiness of the military airlift systems in support of contingency and wartime plans and operations. This mission has three subsets: strategic airlift, tactical airlift, and special operations (SOF) and combat rescue.

The O&M funds requested in this program are for initial qualifications; continuation and upgrade training of C-5, C-141, and C-130 aircrews; SOF and combat rescue operations; operation and maintenance of MAC bases; advanced helicopter crew training; command, control and communications; maintenance of an operational support airlift system; and intermediate and organizational aircraft maintenance. The funding also supports DOD flying hour requirements for specific airlift missions assigned to the Air Force as a mission and funding responsibility, and local area training for C-5, C-141 and C-130 aircrews.

The peacetime readiness training of the military airlift system provides airlift capability as a training by-product. This by-product satisfies a large portion of the air transportation requirements of the Army, Navy, Air Force, Marine Corps, and other Government agencies by way of airlift services provided on a reimbursable basis by the Airlift Services Industrial Fund (ASIF).

Funding requirements are summarized in the following table:

($ Millions)

	FY 1985	FY 1986	FY 1987
Assigned Airlift Mission	$ 484,433	$ 415,049	$ 384,575
Mission Support	197,776	216,010	223,626
Special Ops and Combat Rescue	54,081	52,695	53,863
Combat Support	21,020	19,562	20,268
Telecom & Command Control	27,493	31,101	33,021
Base Operations	488,716	450,674	500,056
Total	$1,273,519	$1,185,091	$1,215,409

Funding changes between FY 1986 and FY 1987 include $28 million for price growth and $2 million in program changes. Program increases support: facility projects to reduce Military Airlift Command Backlog of Maintenance and Repair ($+23.9 million); commencement of contract ground training of C-5 aircrews ($+8.3 million); replacement of telephone systems at three MAC bases ($+4.4 million); new Goose Bay agreement ($+4.2 million); modification of Aviation POL tank cars for use in Morocco ($+4.4 million); Air Base Survivability equipment ($+3.1 million); and modernization of aircraft at the 89th MAW ($+2.0 million). These increases are offset by the following decreases: completion of C-5A wing modifications ($-24.6 million); airlift flying hour adjustments for C-141s transferring to the Air Reserve Components (ARC) and C-5 and C-130 aircraft authorization decreases; training flying hours decrease as result of transfer of 8 C-130s to the ARC; and other training hour adjustments for anticipated student loads ($-3.3 million).

CENTRAL SUPPLY AND MAINTENANCE

Central Supply and Maintenance funds essential logistical support to operating forces world wide through the functions of distribution, materiel management, prime procurement, contract management, depot maintenance, and first and second destination transportation. In addition to the direct Air Force mission, similar logistical support is provided to the Air Force Reserve, the Air National Guard, other DOD and government agencies, and selected foreign governments. This program also provides limited support to commissary operations, the Utah Test and Training Range, Eastern Test Range, Western Test Range, the Aerospace Maintenance and Regeneration Center, printing and publications, telecommunications, and associated base operations. Funding requirements are summarized in the following table.

($ Thousands)

	FY 1985	FY 1986	FY 1987
Supply Depots	$ 331,443	$ 314,731	$ 321,594
Inventory Control	565,537	555,103	530,161
Procurement Operations	203,181	197,358	201,031
Depot Maintenance	3,119,841	3,283,016	3,187,629
Modernization	275,995	259,826	189,891
Industrial and Stock Fund Support	-562,336	-556,089	-450,957
Transportation	514,985	532,274	502,785
Miscellaneous Logistic Support Activities	310,920	234,295	239,624
Industrial Preparedness	12,756	10,437	11,497
Test Ranges	212,280	237,563	244,310
Commissary Operations	192,196	196,689	205,009
Command	103,076	90,895	91,889
Environmental Restoration	-	92,525	23,177
Telecom & Command Control	57,995	41,566	41,983
Base Operations	649,633	562,750	575,032
Total	$5,987,502	$6,053,019	$5,914,655

Adjustments to funding levels in FY 1987 include price growth of $132.1 million and negative program growth of $-270.4 million. The major program decrease in FY 1987 is a $-172.4 million reduction in DPEM. Also, within the Depot Maintenance area, Interim Contractor Support funding increases by $50.0 million to support increased requirements for the B-1B and Peacekeeper, while the Atlas Hot Fire Program decreases by $7.2 million. Another major program decrease is in Inventory Control Points activities ($-31.0 million) due to the completion in FY 1986 of a program to upgrade job guides and a reduction in contractual services. Finally, funds for the Environmental Restoration Program decrease by $73.0 million as DOD assumes budget responsible for environmental clean-up efforts ($-96.2 million) in FY 1987 while the Services assume responsibility for Hazardous Waste Disposal Operations ($+23.2 million).

TRAINING, MEDICAL & OTHER GENERAL PERSONNEL ACTIVITIES

This program provides training, medical care and other individual personnel activities of organizations. The O&M funds provide individual training for military and civilian members of the active Air Force, Air Force Reserve, Air National Guard, Air Force Academy and AF ROTC cadets. This program also includes recruiting activities, military personnel off-duty education programs, and civilian education and development programs. The medical portion provides essential medical capability to meet wartime and peacetime requirements; and provides health care for active duty and retired personnel and for other authorized recipients on a space available basis. The funding requirements are summarized in the following table.

($ Thousands)

	FY 1985	FY 1986	FY 1987
Recruiting, Advertising and Examining	$ 49,198	$ 50,780	$ 52,761
Recruit & Specialized Training	162,857	172,602	180,053
Officer Acquisition	70,982	82,772	91,417
Flight Training	272,578	246,989	248,499
Professional Development Education	50,474	47,354	51,739
Education & Training - Health	28,636	30,701	33,524
Other Personnel Activities	115,616	136,835	151,733
Training Support Activities	62,197	65,339	68,971
Base Communications - Training	19,616	23,757	25,845
Base Operations - Training	501,723	535,754	554,585
Hospital Operations	730,359	819,601	861,313
Total	$2,064,236	$2,212,484	$2,320,440

The increase in Training and Other General Personnel Activities in FY 1987 consists of price changes of $+35.1 million and program changes of $+31.1 million. The program growth includes increases to civilian personnel reflecting the restoration of the FY 1986 Congressional non-programmatic TRIM decrease and associated work-year changes ($+18.9); data automation support ($+6.7); training of civilian personnel to improve acquisition and contracting procedures ($+3.3); Extension Course Institute Information System ($+1.9); and graduate education and increased enrollment for tuition assistance ($3.5). These increases have been offset in part by a reduction in the funds spent for the leasing of information systems and other equipment ($-9.4) and repricing of the Education Assistance Test Program ($-3.9).

The increase in medical funding requirements in FY 1987 includes $+29.7 million in price growth, and program growth of $+12.0 million. The program growth includes utilization of Uniformed Service Treatment Facilities ($+4.3 million);

Department of Defense Medical Review Board ($+3.7 million) for physical examination for entrance into the academies; and a civilian pay increase of $+5.6 million. These increases are offset by reductions in the cost of the AIDS testing program and one-time War Readiness Equipment procurement.

ADMINISTRATION AND ASSOCIATED ACTIVITIES

This program covers administrative support of departmental and major administrative headquarters, field commands and associated activities. This program also provides the Air Force and DoD agencies with essential photographic, video, and motion picture services. Resources are included for the Civil Air Patrol, Air Force Audit Agency, Air Force Service Information and News Center, Air Force Accounting and Finance Center, Aerospace Audiovisual Service, Air Force Inspection and Safety Center, Air Force Manpower and Personnel Center, Air Force District of Washington, Air Force Elements and Air Force Managment Emergency Agency. The following table summarizes the funding requirements:

	($ Thousands)		
	FY 1985	FY 1986	FY 1987
Departmental HQ's	$ 96,549	$105,364	$100,273
Service-Wide Support	367,811	313,722	331,607
Personnel Activities	48,024	50,806	50,546
Other Support Activities	13,182	28,293	29,212
Telecom & Command Control	8,557	12,049	12,050
Base Operations	23,750	70,815	65,542
Total	$557,873	$581,049	$589,230

The increases in funding requirements in FY 1987 include price growth ($+10.3 million), foreign currency ($+.3 million), civilian disability compensation payments ($+8.1 million), and productivity investment program funding ($+6.7 million). These increases are offset by reductions in base operating support and real property maintenance contract costs ($-8.6 million), and reductions in various Information System costs ($-6.6 million) due to reduced rental costs associated with the purchase of new equipment, and the consolidation of various Information Services contracts.

SUPPORT OF OTHER NATIONS

This program provides funding for support of Air Force personnel assigned to the North Atlantic Treaty Organization (NATO), Supreme Headquarters Allied Powers Europe (SHAPE), other joint military headquarters and agencies, the U.S. personnel assigned to the multinational NATO airborne early warning and control (AEW&C) activities, and management headquarters technology transfer functions. Funding requested is shown below:

	($ Thousands)		
	FY 1985	FY 1986	FY 1987
Support to Other Nations	$ 6,381	$ 5,930	$ 5,733

The decrease in FY 1987 is due to a reduction in costs for the NATO AWACS program. Although the Air Force remains responsible for funding direct support costs, e.g., aircrew TDY, for Air Force personnel assigned to the program, total Air Force O&M costs have decreased due to completion of the aircraft acquisition phase of the program.

CONCLUSION

This concludes my overview of the FY 1987 O&M, AF budget request. The FY 1987 O&M budget is a carefully developed, austere estimate of the resources needed to support a balanced program of aircraft, flying hours, missiles, manpower levels, space programs, and base structure. Your approval is essential to operate and maintain a modern, well-trained and combat-ready force.

Thank you for your interest and support.

Mr. **Daniel**. Well, thank you, General. That was a very competent presentation.

General **Spangrud**. Thank you, sir.

Mr. **Daniel**. General Swarts, do you have anything that you would like to add?

General **Swarts**. No, sir.

Mr. **Daniel**. Mr. Whitehurst.

Mr. **Whitehurst**. Just a few comments, Mr. Chairman. General Spangrud, I want to echo the chairman's compliment. It was an excellent briefing. It was very comprehensive. I think it is best I have heard from the Air Force since we established this subcommittee. So it is a credit to you.

Yesterday when we had Navy witnesses, I asked Vice Admiral Hughes about the savings on fuel. I presume that you are in the same boat with them. In other words, if there is a savings, you do not get it directly. It goes to DOD, and you may get it back.

I have forgotten the name of that particular agency.

General **Spangrud**. DLA.

Mr. **Whitehurst**. DLA, that is it. Thank you. It keeps the bookkeeping on it, but of course, obviously everybody benefits as the price goes down. You indicated that in your chart.

Cheers for getting the flying hours up. The chairman alluded to this earlier, that it has been one of my pet kicks in the past. I am delighted to see it is coming up.

Let me ask you something, just for my own edification. Navy pilots obviously have to be carrier-trained because it is somewhat different than landing on an airfield. The optimum training for them is about 24, 25 hours a month. You indicated 20 hours for Air Force pilots. Is that fighter pilots as well, or is that just an average?

General **Spangrud**. The number of hours I was relating to was fighter pilots.

It is a little bit higher than the rest of the Air Force.

Mr. **Whitehurst**. What is the reason for the difference in the number of flying hours between the two services. Is it the carrier training?

General **Spangrud**. I think you pointed out that the business of carrier landings makes it that much more difficult, obviously.

Mr. **Whitehurst**. Yes.

General **Spangrud**. We would like to have more than 20—20 is a goal that we set that we felt was realistic and one that we would get funded. That has turned out to be that way. When we are at it, we may very well want to go to a higher level, but I do not see any indication of it right now. We think that is sufficient for our pilots.

Mr. **Whitehurst**. You are certainly much better off than where you were when you were down to just over 15 hours.

General **Spangrud**. Yes, sir.

Mr. **Whitehurst**. That was really bad. I know I got in a little exercise when we first got started with these hearings when I heard the number of hours. At least your progress has been measurable and you are going in the right direction with it.

I just cannot emphasize enough the importance of flying those airplanes. Mr. Martin raised the issue about simulators. They are great. They are fine. They are far superior to the old Link trainers they used 40 years ago, but nothing substitutes for getting in that machine and taking it up.

This is a dandy presentation. We are all sitting here thinking, OK, this is fine, according to the present budget. What are we going to do under Gramm-Rudman, and what is going to be the impact?

Without giving the whole briefing again with Gramm-Rudman, just what are some of the shortfalls going to be, in real terms? Forget percentages and numbers, just tell us what is going to happen in training and other areas, if we are obliged to take Gramm-Rudman in all of its fury.

FISCAL YEAR 1986 G-R-H O&M IMPACTS

[In billions of dollars]

Flying hours	$.04	—1% flying hr reduction
		—22K of 2.4M hrs
RPMC	.19	—25% reduction
		—FY83 level
Med/Tng	.11	—5% reduction
		—Major med shortfall
		—TDY to school
Civilian pay	.08	—2% reduction
		—Selective rehire
DPEM	.19	—6% reduction
		—Below FY85 level
Contracts	.16	—3% reduction
		—Reduced scope of work/defer some cont
Supplies/equipment	.23	—6% reduction
Total reduction	$1.00	—FY83 level/reduced Bos

General SPANGRUD. Could I have No. 32? We have only looked at 1986, sir. I have an indication of what we are going to do in the O&M budget pretty much for 1986, if you would like to see that.

Mr. WHITEHURST. Well, if it does not take too long, that is fine.

General SPANGRUD. What we did, is we went to the Commanders, because they are the ones that are executing the program. We asked them what they are going to do. Now, obviously, Gramm-Rudman is still up in the air, even for 1986. The feeling is that probably even if the unconstitutionality is upheld, that maybe something would happen with another resolution, and we would still take the 1986 cuts.

We are on the road to taking the 1986 cuts. As you can see for us, that we have a $19.5 billion appropriation. It will go down to $18.5 billion for O&M. That does not exactly match the numbers you saw on the other ones, because there are some new reprogrammings that are still pending, et cetera.

In any case, it is pretty obvious if we took about a 5-percent cut, most of them are protecting flying hours somewhat. We took a 1-percent flying hour reduction—and in talking to the Commanders last week, what they are going to try to do is try to get the same number of sorties by trying to get a little shorter sortie time, because sorties are the important thing, getting up and down.

Hopefully, they can take the 1 percent without a real reduction. It is 22,000 hours out of $2.4 million. All of these aspects I show you are going to be below 1985, except for flying hours and contracts.

Mr. **Whitehurst**. It would be below 1985?

General **Spangrud**. Below 1985. Some of them—of course, this thing shows the 1983 level, that would be back to the 1983. This is the number we had for 1983 in terms of the same buying power.

Flying hours you can see did not save us that much, because you are only saving the fuel and some things on the margin. Real Property Maintenance, though, took the big hit, $190 million. That is a 25-percent reduction.

Now, Real Property Maintenance and our Depot Purchased Equipment Maintenance are the two biggies that took a substantial hit. Now, we do not have a lot of flexibility, as I said before.

The Logistics Command, which has Depot Purchased Equipment Maintenance, the only thing else it has in its account is civilian pay, which we were instructed to try to protect, and some whatever——

General **Swarts**. Transportation.

General **Spangrud**. Transportation, which are fixed costs for us. So, therefore, the Depot Purchased Equipment Maintenance came to a 6-percent reduction even though we had only a 4.9 overall reduction.

I cannot do anything about moving things back and forth except within that $5 million per Major Force Program. That does not help me, hardly at all.

You can see the others took essentially a 5-percent reduction. There is medical training, which is really going to be tough—excuse me, Medical and Training. The medical part of it is really going to be tough.

What we will do, is we will borrow from training as much as we can, and put it in medical, because the medical bills have to be paid. They are entitlements. People show up, and the bills have to be paid.

Supplies and Equipment took a little bit more than everything else, too, $230 million. Contracts only took a 3-percent reduction, because there are some things that we just cannot get out. It is a matter of contracts that are fixed.

So you know, it is across the board. Some took a little bit more than others, as we could work it within a Major Force Program.

Mr. **Whitehurst**. I think this is very important. I am delighted that you prepared a slide for us, so we could see it in such graphic terms. This audience this afternoon, there are less than 30 people in here, but this message has got to get out into the marketplaces, the way I see it.

Both the American people and especially the Commander in Chief needs to hear from this subcommittee if we are obliged to go to this so that everybody sees, in the most realistic terms, and be presented with what the impact of these cuts will mean.

I thank you very much, Mr. Chairman. I thank you, gentlemen, again. I cannot quarrel with any of this.

Mr. **Daniel**. General, what are your projections for 1987 in these programs, depot maintenance backlogs?

General **Spangrud**. Yes, sir. In our view, we are not fully funded on Depot Purchased Equipment Maintenance by something under $200 million, which is about 6 percent or so, which is not unlike what we have here. It would be about the same from year to year.

Mr. **Daniel**. Of course, that will be on top of that?

General **Spangrud**. Well, that will compound, but of course we will have a chance to readdress that and see if that number is good at the end of the year. That is problematical.

Mr. **Daniel**. I see.

General **Spangrud**. We got a reduction in our last budget drill. We have an honest difference of opinion with our OSD budget analysts. They may be right, or indeed we may be right.

In any case, when you take $14 billion out, and the last cuts came at the end, everything gets affected. The Depot Purchased Equipment Maintenance got affected because it did not come out there, it came out some other place.

Mr. **Daniel**. Mr. Martin.

General **Spangrud**. I do not want to be critical of DOD, OSD because they are working at a higher-level problem than we are.

Mr. **Daniel**. Mr. Martin.

Mr. **Martin**. Thank you. Just briefly, General, I want to echo what the chairman and Mr. Whitehurst had to say about the briefing here today. It was to the point and clear, and thank you very much.

Based on the startling figures, you talked about a 1-percent or a 1-cent reduction, plus what came before translates into something on the order of $40 million. I guess that is good news, given the precipitous decline in the cost of fuel.

Then the frustration is that we try to protect O&M to find out that you do not have that flexibility within your O&M account. It goes to DLA and somehow that big saving may be reprogrammed somewhere else.

Mr. **Whitehurst**. Mr. Martin, what generally happens is the refund comes through, back to the zero accounts.

Mr. **Martin**. Oh, does it? But that is not at issue.

General **Spangrud**. If it is over and above what we projected, but they have already projected it to go down by this amount. So it would have to go down at a greater rate for us to get a refund in this case.

Each year we have gotten a little tightening in all of these things where we get refunds, et cetera. The budget that we show you each year has got less of those kinds of things to take out of, like foreign currency reevaluation. There's a little bit more betting on the come, and therefore, there are not those opportunities for you to go in and remove some of those that there has been in the past. Actually, it has been the Appropriations Committees, I believe, that have done that more than anybody else.

It is getting a very tight budget in these kinds of areas. Am I right on that, Bob?

General **Swarts**. Yes sir.

Mr. **Martin**. Well, it is no different for you than it is for the Navy, is it?

General **Spangrud**. No sir.

Mr. **Martin**. Well, it is our understanding from yesterday that—correct me if I am wrong, it may be a different feeling, but they go ahead and set a target for what it is going to be for that fiscal year, crank it into your account, and that is what you pay them out of your O&M account.

General **Spangrud**. That is what the 73 cents is.

Mr. **Martin**. Right, but the refund aspect is something that was not addressed yesterday, and I did not understand this.

Dr. **West**. That refund, I think, is reflected in the rebate or change in the price they will be charged next year.

General **Spangrud**. Right.

General **Swarts**. Unless, of course, sir, that it is a directed rebate in the congressional language as it has been in some cases.

Mr. **Whitehurst**. Say that again? Rebate on?

General **Swarts**. In the congressional language, sir, the directed rebates.

Mr. **Whitehurst**. Direct to the Air Force O&M account?

General **Swarts**. Yes sir. I believe that is what Dr. West was alluding to.

Dr. **West**. We do this every year. When we come in and we make a reestimate of what fuel is expected to cost and we have to direct a rebate from the defense stock fund to the various O&M accounts. That is what happens.

Congress estimates what the cost of fuel is going to be and either we or the Appropriations Committees direct a rebate, and it goes back to the services.

Mr. **Whitehurst**. Well, it does give us a little relief then, does it not?

Dr. **West**. Oh, yes, sir.

Mr. **Whitehurst**. Well, I am glad you raised this point, Dave, because yesterday, I was under a misunderstanding about that.

Dr. **West**. Our understanding is also that the budget was prepared with fuel prices that had not reflected the specific decline. Hopefully, we are going to be able to take advantage of that to some degree.

We do not know yet exactly to what extent, but I suspect that you will see considerable savings, and I suspect that either we or some place else in Congress is going to direct a considerable rebate this year.

Mr. **Whitehurst**. Well, there is going to be a scrambling for those funds. Let's get our dibs in first.

Dr. **West**. We have an apples-and-oranges difference here, which we can talk about afterwards.

Mr. **Martin**. That would be good, in that this is just a prediction of one member. We want to work very hard to try to provide defense for this country, but Gramm-Rudman-Hollings has left a question of whether we can.

I do not think the true indications as it relates to defense and the inordinate cuts that it directs as far as defense, were fully understood. certainly by this member, back when we were discussing this.

I would suggest that you brace yourself for the worst, because without going into any great detail, a number of us have been kicking it around and have come to the conclusion that we might find ourselves in the situation that people would rather take the sequestration than find themselves supporting either an alternative to "give too much to defense" or "tighten up on defense and give more to social programs" with *x* number of dollars.

So, I do not want to hear what your backup program is. From a negotiating stance, that would help, but I sure do suggest that you have one, and it should address the most direst needs, regardless of the circumstances, until the perception of the American public has developed and things are really going to ride, probably not for future years, but it is certainly going to come.

Thank you very much.

Mr. DANIEL. Mr. Ray.

Mr. RAY. General, I do think you had a very straightforward and good presentation. It was very understandable. The question that I have, of course O&M is the operating expense overhead of the Air Force, and it would be appear to me that the overall Air Force, Secretary of the Air Force, would want to keep those funds intact at the expense of other projects.

Is your cut across the board the same percentage as the other departments?

General SPANGRUD. Well, sir, on the one that I was just speaking to under Gramm-Rudman-Hollings, on that cut we did not have any choice. O&M had to take its 4.9 percent like everything else. We only had flexibility within a Major Force Program which meant we had it at a higher level than in the procurement accounts. Excuse me?

Dr. WEST. That is more than any other program has.

General SPANGRUD. You mean 4.9?

Dr. WEST. No, the Major Force Programs. In procurement, you had to take it out of each individual line.

General SPANGRUD. Each line item.

Dr. WEST. In MILCON you have to take it out of each individual project.

General SPANGRUD. Right.

Dr. WEST. In O&M I think you should not overstate the case. You have more flexibility in O&M than any other account because you can do it within a Major Force Program.

General SPANGRUD. Yes sir; except we have things like Commissary Service, where there is no other place to get it from. We have Medical, which has to take it from Training. I was just saying that $5 million did not give us much flex in that arena. I agree with you otherwise, yes, sir.

Mr. RAY. Are your funds also fenced in so that they cannot be withdrawn and put into other projects, in case the going gets rough?

General SPANGRUD. No sir; these sequestered funds are not available to us in the sense that OSD, now that March 1 comes along, has to ensure that we cannot spend them. There is no way they can be used in anyway.

Mr. RAY. From time to time, we will get projects from various branches of the service who will say, well, I can pull this out of O&M funds and shore this up. I am wondering if you are subject to that same situation.

General **Spangrud**. We normally do not reprogram out of O&M funds.

Mr. **Ray**. I see.

General **Spangrud**. Yes, sir; I know other services have. I do not recall ever reprogramming out of O&M funds. It is always from procurement to procurement or R&D to other R&D projects.

Mr. **Ray**. Well, for the record, I just think that O&M, your particular operation ought to remain as protected as is possible, and at the expense of new equipment, for instance.

General **Spangrud**. Well, sir, I happen to have the O&M account within the Air Force. So I feel exactly the same way as you do.

Mr. **Daniel**. Let the record show that Mr. Foglietta was present, but was required to leave.

Mr. Mac, we are glad to see you, sir.

Mr. **McElhanon**. Yes, sir.

Mr. **Daniel**. How are you getting along?

Mr. **McElhanon**. All right.

Mr. **Daniel**. Good. Good to see you. Let me ask you to followup if I may, on the question I asked the General a moment ago about the backlog.

Mr. **McElhanon**. Well, I do not know that I can add anything to what General Spangrud said in regard to the backlog. We have an ongoing dialog right now with OSD as to the size of the requirement.

There is not a question about the amount of money we have in the budget. That is not an issue. The issue is, "What is the size of the requirement above that number?"

Mr. **Daniel**. OK. Mr. Lunger.

Mr. **Lunger**. Just a followup of the term that Mr. McElhanon had, sir. What is the next priority requirement that is not going to get funded—if, in fact, it turns out to be depot maintenance backlog?

Mr. **McElhanon**. We are going to have, of course, you have already seen the impact of Gramm-Rudman that we will likely have in the 1986 timeframe. That is going to create a backlog in 1986, whereas the budget did not intend there be one in 1986.

Well, that then becomes a carryover and an aggregation of the 1987 problem. If we end up with a $200 million problem in the 1987 timeframe, within the funding that we have, then we are going to slow down the stream of the repair of the exchangeable components of the spares that have given us such good readiness support in today's world.

General **Spangrud**. I would like to add that, when we are making internal Air Force decisions, we normally will give DPEM priority to almost everything else, because you can repair six spares. I think that is about the right number, vice buying one.

So you get your maximum return on the money, in terms of readiness, by repairing the spares you already have.

We have about $30 billion worth of spares in the system, and we are only buying $3 or 4 billion to add to it for those that wear out or those that you need for the additive aircraft.

So your first return that you are going to get is by repairing. So, therefore, we generally support the DPEM account and have. The Air Force did support it fully going to DOD.

Mr. **Daniel**. Mr. Martin, do you have any additional questions?

Mr. **Martin**. No, just to thank the general. I really appreciate it.

Mr. **Daniel**. Mr. Lunger?

Mr. **Lunger**. Sure. I just want to followup. The subcommittee has been generally reluctant to raise that reprogramming threshold from above $5 million, but over the years, it has been raised, I believe, in all the accounts but O&M.

General **Spangrud**. Right.

Mr. **Lunger**. Could you provide some additional detail to us about what that would do for you? I know the dramatic one that you pointed out there is that we are going to be faced with a choice of either medical or training, but what are some of the other things that you could see of benefit increasing that threshold?

General **Spangrud**. I would be pleased to do so.

[The following information was received for the record:]

REPROGRAMMING THRESHOLD

The current threshold for O&M prior approval and notification reprogrammings between Major Force Programs (MFP) of $5M was established 23 years ago (in 1963). The entire Federal Budget, even the value of the dollar, has changed significantly in that 23 years. Today, the equivalent FY 1987 dollar value of $5M would be $18M using a 3.6 implicit price deflator. Inflation and growth have reduced our commanders' internal management flexibility from what Congress originally provided. This reduced flexibility adversely affects our ability to address changing needs in a timely manner during O&M budget execution. Because of the size and diversity of the O&M accounts (both in range of purchases and its world-wide nature), and the dynamic nature of the day-to-day operating environment, commanders need the modest flexibility afforded by a revised threshold. We would propose that the revised threshold should be indexed instead of set at a fixed dollar value. In 1963, $5M was .0011 or 00.11% of the total O&M budget ($4.5B). Thus, every year a new threshold should be established by multiplying .0011 times the total O&M appropriation. This way commanders would not continue to lose flexibility. Alternatively, the threshold could be fixed at about $20M and adjusted periodically for inflation.

Specifically, the Air Force needs the ability to react to such events as natural disasters (Tinker AFB fire); unforeseen worldwide emergencies (Grenada); unprogammed contract cost and tariff rate increases (AT&T divestitute); unprogrammed changes in programs such as AIDS testing, Polygraph examinations, and audit of medical quality assurance efforts; and fact of life program slippages and accelerations such as the accelerated funding required for dormitory furniture due to earlier than programmed completion of a military construction project.

Without an avenue for increasing funding for unbudgeted real world events such as those cited above, we must reprioritize within available funding. This can mean shifting funds from one MFP to another. At the current O&M thresholds, we would be faced with the long process of a formal reprogramming, negating our ability to react to unforeseen situations in a timely manner.

O&M was the only appropriation that did not receive threshold increases in 1981. An indexed threshold is needed for O&M to provide the flexibility necessary to fund for pricing changes or other changing needs such as the examples cited above that occur during budget execution.

Mr. **Lunger**. Thank you, sir.

Mr. **Daniel**. Any other questions.

[No response.]

Mr. **Daniel**. Mr. Eastman, do you have any questions?

Mr. **Eastman**. No, sir.

Mr. **Daniel**. Dr. West.

Dr. **West**. No, sir.

Mr. **Daniel**. Mr. Ray, do you have any additional questions?

Mr. **Ray**. No.

Mr. **Daniel**. Does Mr. Hutto's stand-in have any questions?

Mr. **Tamura**. No, sir.

Mr. **Daniel**. Well, gentlemen, thank you very much. I want to repeat that this is the best briefing that we have had from the Air Force since I have been on this subcommittee, and even I can understand it.

General **Spangrud**. Thank you, sir. I appreciate that.

General **Swarts**. Thank you.

Mr. **Daniel**. Thank you very much.

[Whereupon, at 3:10 p.m., the subcommittee was adjourned.]

DEFENSE OPERATIONS AND MAINTENANCE ACCOUNT

House of Representatives,
Committee on Armed Services,
Readiness Subcommittee,
Washington, DC, Monday, February 24, 1986.

The subcommittee met, pursuant to call, at 2:10 p.m., in room 2337, Rayburn House Office Building, Hon. Dan Daniel (chairman of the subcommittee) presiding.

STATEMENT OF HON. DAN DANIEL, A REPRESENTATIVE FROM VIRGINIA, CHAIRMAN, READINESS SUBCOMMITTEE

Mr. **Daniel**. The subcommittee will be in order.

This afternoon the subcommittee will continue its consideration of the Department of Defense fiscal year 1987 operation and maintenance request with testimony from the Defense agency witnesses.

We are happy to welcome back Paul Dube, Director for Operations, Office of Assistant Secretary of Defense (Comptroller). He holds the record for appearances before the subcommittee, and we have greatly benefited from his candor and expertise over the past 4 years.

I understand, Paul, that you have just returned from one of your annual factfinding missions. You have come back refreshed and raring to go. Is that a correct statement?

Mr. **Dube**. Yes, sir.

Mr. **Daniel**. Very good.

We also want to welcome two gentlemen making their first appearance before the subcommittee, Maj. Gen. Donald P. Litke, Deputy Director of the Defense Logistics Agency; and Mr. William H. Reed, Director, Defense Contract Audit Agency.

Mr. Reed, before we proceed further, I would like to take this opportunity to express to you our appreciation for the assistance that your associates gave us last year. They did excellent work for us, and we are deeply grateful.

Mr. **Reed**. Thank you.

Mr. **Daniel**. As I have stressed since our first hearing, we face some monumental challenges in dealing with the defense budget in Congress this year, and nowhere are the challenges greater than in the O&M accounts which support readiness and the quality-of-life programs.

As we are all well aware, our greatest challenge is to find a way to coexist with the Gramm-Rudman-Hollings amendment. Procedurally it has made life more difficult for us by compressing the congressional budget cycle without reference to the role of the authorization process. Thus, if the Armed Services Committee wishes to play an active part in congressional deliberations this year, we will have less time to act than ever before.

Closer to home, Gramm-Rudman-Hollings for the first time forces the committee to place more emphasis on outlays to meet deficit reduction targets. The result is increased emphasis on an outlay-rich account like O&M to provide a greater share of reductions.

Another major challenge this year is efforts to reorganize the Department of Defense. Certain reorganization initiatives are overdue and would increase the efficiency of the Department and the operational effectiveness of our military forces. At the same time, however, we seem to be rushing to judgment on some proposed initiatives without the benefit of hearings and careful study. That is why I welcome the testimony this afternoon from representatives of the embattled Defense Logistics Agency and Defense Contract Audit Agency.

Incidentally, I had that same adjective ascribed to me a few days ago. It said, "Embattled Daniel announces for reelection."

The more we know about the targets of some reorganization proposals, the better able we are to make informed judgments about them.

The upshot is that we have our work cut out for us this year, and I do not want to imply that we are going to throw in the towel or wring our hands in the face of the challenges. We have worked too hard over the past 5 years to allow those gains to disappear without a struggle.

One thing that is clear, however: We cannot afford to continue doing business as usual. We will have to look at the options we have never considered before. We will have to view all programs strictly on the basis of their contributions to readiness and quality-of-life requirements. We will have to emphasize more than ever before the need for greater economies and efficiencies in defense programs.

It is equally clear that our ability to succeed in these tasks will depend greatly on the quality and the timeliness of the information and insight we receive from DOD witnesses and briefers over the next 3 weeks. Working together, I remain confident that we can reconcile meaningful deficit reductions with maintenance of the key elements of readiness and quality-of-life objectives.

Just to underscore that last sentence, it is no secret to anyone, I am sure, in DOD that we are going to have a difficult year. I am not one of these who believe that the sky is falling. I do not think it is a "Chicken Little" year, but we have our work cut out for us on this side of the river as well as on the other side.

So I would encourage all of you to get such information as we may require to us as soon as possible, because we are working under a very tight schedule this year, even more so than has been the situation in the past.

Mr. Hutto, do you have anything you would like to add?

Mr. HUTTO. No, Mr. Chairman. You have said it very well. I just want to join with you in welcoming the witnesses.

Mr. DANIEL. Mr. Ray, do you have anything you would like to add?

Mr. RAY. No, thank you.

Mr. **Daniel**. You may proceed as you desire, Paul.

STATEMENT OF PAUL DUBE, DIRECTOR FOR OPERATIONS, OFFICE OF THE ASSISTANT SECRETARY (COMPTROLLER), DEPARTMENT OF DEFENSE

Mr. **Dube**. Thank you, Mr. Chairman. It is indeed a pleasure to be appearing for the fifth time before this subcommittee.

Before I begin, I would like to report on one of the facts that I found on my factfinding mission. It appeared to me that there is substantially better weather available in other places than is available here, and I found that out.

What I would like to do, Mr. Chairman, is break this hearing into essentially three pieces. I would like to lead off and discuss some general points about the O&M title as a whole and follow that with an overview of the O&M Defense agency's request, then be replaced at the table by Mr. Reed to give you some insight and detail on the Defense Contract Audit Agency budget, and then he will be followed by General Litke with details of the Defense Logistics Agency budget.

Mr. **Daniel**. As you desire.

Mr. **Dube**. Mr. Chairman, I have a prepared statement which I presume will be in the record. I do not propose to read it.

Mr. **Daniel**. Without objection.

Mr. **Dube**. I would like to hit on a few points.

Mr. **Daniel**. Without objection, all statements will be included in the record.

Mr. **Dube**. Thank you.

Mr. Chairman, I have provided a handout with some material that I would like to touch upon. The first item there is kind of a look at how O&M has been doing since 1980.

Over the years when I have appeared, you have expressed concern as to whether or not O&M would fare reasonably well in the competition for Defense resources. I indicated to you in each of those appearances there is some optimism that the system of resource allocation in the Department would produce an appropriate balance of resources. We think again in fiscal year 1987 we have done so. It by no means satisfies every requirement that we have, but we think it is an appropriate balance, given the overall total resource picture available in the Department of Defense, and I remain confident that in the future years we will have similar success in the resource allocation process.

I would like to turn next to the second page of the handout that I have given you to deal with what may be some confusion of numbers related to how much the O&M request is and how big an increase it represents over fiscal year 1986.

In various summary data distributed with the release of the budget, the O&M amounts identified reflect an increase of $7.7 billion, going from $78.7 to $86.4 billion. However, all of the supporting material that we will be providing to the committee will support an increase of $4.6 billion, and I would like to explain that apparent discrepancy.

First it relates to how we treat the civilian pay raise. Based on the OMB budgeting ground rules, the individual authorization and appropriation requests by account do not include the funds for the fiscal year 1987 pay raise.

Mr. DANIEL. Say that again, please, sir. I missed it.

Mr. DUBE. Based on the OMB budgeting ground rules, the individual authorization and appropriation requests, by account, do not include the costs of the fiscal year 1987 civilian pay raise.

Mr. HUTTO. Mr. Chairman, if I could ask a question on that point.

Mr. DANIEL. Yes.

Mr. HUTTO. Is the civilian pay raise that you are talking about the one that is mandated in the reconciliation bill, 5 percent for 1987 and 5 percent for 1988?

Mr. DUBE. No. This amount relates to the administration's proposal for fiscal year 1987, which is a 3-percent pay increase effective on January 1, 1987. That is the administration proposal, and that will have the effect of increasing the O&M amounts by $667 million.

Again, that amount is included in the Defense totals that you look at, and it is, in effect, included in the $86.4 billion O&M number that you see in all the summaries.

The other significant aspect of the difference between these numbers is the fiscal year 1986 estimate of some $2.5 billion in transfers from prior years, the bulk of which is associated with foreign currency fluctuation, and some $800-and-some-odd million related to transfers from prior year procurement amounts to improve readiness.

Those, technically, do not represent new budget authority in fiscal year 1986 and therefore are not reflected in the budget authority numbers that are reflected for O&M in 1986. They are included in the TOA, and all of the numbers that we will be giving you will reflect the assumption of those transfers, and hopefully the table that I have provided there will help to provide a road map to avoid the confusion of some of those numbers.

What I would like to do now is touch very quickly on the economic assumptions that are reflected throughout the O&M budget. As you recall, in each of the last several years, economic assumptions have been the source of a number of large reductions in the O&M accounts which we have been able to accommodate without really hurting the program. I would like to just run over the basic ones in here and perhaps discuss with you the likelihood of potential savings or the absence of that potential.

First of all, the civilian pay raise that I mentioned is a 3-percent, 1 January, 1987 pay raise. All of the O&M accounts reflect the basic economic assumption of a 3.5-percent inflation rate in 1986 and a 4-percent inflation rate in fiscal year 1987. Those are the administration's economic assumptions which are throughout the Federal budget.

Obviously, to the extent that those are wrong, adjustments can take place in the accounts. To the extent that inflation is lower than those amounts, we have the choice of either buying more program with the amount we have requested or reducing the amount that we have requested without hurting the program levels reflected in the budget.

In each of the last couple of years, the inflation estimates that we have included in the budget have been somewhat overstated. There is hope that that will be true again this year, but that is not a certainty. The key point is, at this time these are the estimates on which the budget is based. As we get further down the road there will be more information available as to how the economy is doing and what is actually occurring in inflation.

On the third page of the handout I have a display of the foreign currency rates as we have executed them in fiscal year 1985 and 1986 and as we have budgeted for fiscal year 1987.

As you know, again, in each of the last couple of years foreign currency has produced huge savings in the O&M accounts, and we have been able to reduce the O&M budget without affecting program by significant amounts in each of the last 2 years. I am afraid we have about milked that particular cow dry, and we are going to have to look for another way to get these savings.

The dollar has obviously weakened substantially. The very large foreign currency fund that we had, which totaled over $1 billion at the end of fiscal year 1985, we now project to a balance by end fiscal years 1986 and 1987 of about $130 million, based on the rates that we budgeted.

Since that time, rates have declined to indicate that we are about $300 million under budget in fiscal year 1987 for foreign currency. I really do not think that the fund is going to be the source of a great deal of potential reductions, unless of course something very drastic happens with respect to the dollar and the value of the dollar in relation to other currencies increases dramatically, which does not appear to be in the cards. It has been extremely difficult to predict.

The next page in the handout displays the 1985, 1986, 1987 trends with respect to fuel. For each of those years we have again achieved substantial fuel savings. It would appear, based on what is happening, that savings may occur again this year.

I would like to point out that our budget for 1987 assumes a cost per barrel of fuel of $31.50 on the average, and I want to stress that that is a finished product transported barrel, not a barrel of crude. This is not the number against which the current crude estimates should be compared, because these include the cost of refining and transportation. But obviously crude prices will affect these numbers.

The final set of economic assumptions I would like to discuss—and they are laid out on the next page of the handout—is the industrial fund/stock fund refunds. Again, in each of the last couple of years these have been ways that we have been able to save O&M TOA without affecting programs.

I would like to simply stress that the 1987 estimates that you are looking at already reflect savings, if you will, of $1.46 billion in the prices to be charged to the customers or in refunds to be made to the customer accounts from both the industrial funds and the stock funds.

Those savings are related to our experience up to the time that we put the budget to bed in December, reflecting the latest economic assumptions we had then and actual experience in relation to the stabilized prices we had set in each one of those accounts.

Again, to the extent that our economic assumptions about inflation, fuel costs, and pay prove to be any different, these numbers would change, but this budget is based on these inflation assumptions and the most current experience.

I want to talk for just a minute about Gramm-Rudman. None of the numbers that I have been showing you for fiscal year 1986 reflect the impact of the Gramm-Rudman sequestration. As you know, we made no exemptions in the O&M accounts simply because the flexibility exists to accommodate these reductions. We thought it preferable to execute the program using the across-the-board sequestration rather than to seek exemptions, which of course would have had to have been offset by greater reductions right from within the same appropriation.

I realize that there is a desire to obtain specific information about the impact of Gramm-Rudman on the programs. Unfortunately, it is still a bit early to be able to give you, with any confidence, the precise detailed impact of these reductions. The services and agencies are making every effort to implement those reductions with the least impact on readiness, but the details of exactly what the impacts are going to be will unfold as we finish execution. It will be some time before we have an accurate description of the precise impact. It will undoubtedly have some. We will be making every attempt to minimize that impact but it will obviously not be zero.

Mr. DANIEL. Paul, at that point, have you given any thought to what the difference will be if the Supreme Court upholds the lower court decision, compared to what Gramm-Rudman applies now?

Mr. DUBE. I have given it some thought, but I am not sure I know the right answers to that.

Mr. DANIEL. I do not think anybody does. I just wondered if you had any thoughts on it.

Mr. DUBE. It is my understanding that the law, as enacted, contains a backup provision which, instead of making the requirements of Gramm-Rudman automatic, will require votes by both Houses—resolutions and a vote—to do that. Now, the question will be, What will be the will of the Congress should that come to pass with respect to the various features of Gramm-Rudman?

Mr. DANIEL. Do you think that if the Court upholds the lower court decision that both you and I, or you and the Congress, would have more flexibility?

Mr. DUBE. Substantially more, and that would give you the opportunity, for example, to include more flexibility with respect to how reductions are apportioned among PPA's—programs, projects, and activities.

As you know, while the Department does not care for reductions of any kind, if we have to suffer reductions in the defense total, we would prefer the ability to identify the marginal programs and to spread the reductions in a way that makes more sense than in an across-the-board manner and without the restrictions that are included in Gramm-Rudman. I would think there would be an opportunity for that if the Congress had to act in a positive way.

Mr. DANIEL. Thank you.

Mr. DUBE. Let me turn now to a brief overview of the defensewide accounts. The bulk of that is O&M defense agencies and the environmental restoration account.

Let me take O&M defense agencies and refer you to the next page of the handout that I have given you. We have provided a breakdown of the defense agencies request in five categories that we think represent an effective display of what this account in fact finances.

Every year, Mr. Chairman, I try to stress the fact that O&M defense agencies is not merely an overhead account financing the bloated bureaucracy; there is some real stuff in here. There is readiness, there is intelligence and communications, there is the audit/investigative activity, a small amount of defense management support, and some very significant and important military personnel support programs.

The major increases are in military personnel support and in intelligence and communications. Consistent with our previous practice, because intelligence and communications contains some highly classified programs and some unclassified, I prefer to not discuss any of it to keep this discussion unclassified. You can see from that table that 34 percent, or roughly a third, of the total program increase in 1987 is in that area.

The next largest area is for military personnel support. You see the programs that we finance in O&M defense agencies that are of direct support to our military people: The American Forces Information Service, the CHAMPUS Program, the Dependent School Program, the Health University and the Defense Medical Support Agency. Obviously, the biggest increase is for CHAMPUS.

There is a degree of distortion in the CHAMPUS numbers, Mr. Chairman. Either my 1986 or my 1987 estimate is wrong, and I do not know precisely which. I hope it is the 1987 number that is overstated, but I am afraid that the number that is wrong and understated is the 1986 number.

When we initially put the budget together, we really thought 1986 would cost more than we have currently reflected in the budget. We sized both 1986 and 1987 based on our actual 1985 experience and applied our economic assumptions.

As we were about to lock up the budget, however, the actual data available for October and November was well below the plan for reasons, by the way, that I still do not understand. Based on this actual data we thought perhaps we might not need a reprogramming in 1986.

The subsequent data that we have gotten, that is, the December and January data, looks more like the lines that we originally predicted, but we will need another month or two's experience to make an informed judgment of just how much we will require in 1986. We may very well be coming to you with a CHAMPUS reprogramming from other sources outside the account in order to finance the CHAMPUS Program.

If we do not need to do that, then the 1987 estimate is probably overstated.

Mr. HUTTO. Did you transpose those figures? CHAMPUS is remaining level, and DOD schools is the one that is getting this big increase.

Mr. DUBE. No. CHAMPUS is going from—you may be looking at the civilian personnel numbers.

Mr. HUTTO. OK. Thank you.

Mr. DUBE. As you can see, in audit/investigative activities we have a sizable increase in the Defense Contract Audit Agency to work down backlogs, and Bill Reed will give you a lot more information on that request.

Relatively modest increases are reflected in the defense management support category. The readiness category is a little bit misleading because it is affected by the transfer out in 1987 from DLA of the funding for hazardous waste disposal operations. Otherwise, you would not have that program decrease and you would have a relatively modest increase in the program growth in the category of readiness.

The next two pages in the handout display the military and civilian manpower supported in O&M defense agencies. As you can see, there are relatively large increases in the Defense Logistics Agency, in DCAA, and people are here to talk about them. The dependent schools area increases by 738 personnel to upgrade and improve the quality of education and maintain comparability. There are very modest changes in the Military Manpower Program to support the agencies.

The final page of the handout displays the environmental restoration, defense account. We have tried to display the total of the program even though, this being a transfer account, there is no funding shown in 1986 for the environmental restoration account. The budget reflects the transfer of those amounts in 1986 to the various appropriations executing the program.

We have tried to display here what the total program is, regardless of which account it is in, and to relate the difference between the change in funding responsibility for hazardous waste disposal.

In total, it looks like there is virtually no increase in the program, but there is a substantial increase when you take into account the change in responsibility for hazardous waste disposal. It goes from $315 to $386 million, which we think is a reasonable program to carry out our responsibilities in the environmental restoration area.

Mr. Chairman, that concludes the remarks I would propose to make. I would be happy to try to answer any questions you might have.

Mr. DANIEL. Would you prefer to do that now or hear the other two witnesses? It does not matter to us.

Mr. DUBE. I think it would probably be easier if I took your questions now and then let them come to the table.

Mr. DANIEL. All right.

PREPARED STATEMENT OF PAUL DUBE

Mr. Chairman and members of the Committee, I appreciate this opportunity to appear before you to discuss the FY 1987 Operation and Maintenance budget.

I have with me at the table Major General Donald P. Litke, the Deputy Director of the Defense Logistics Agency and Mr. William H. Reed, the Director of the Defense Contract Audit Agency.

I would like to begin by outlining for you some of the more significant assumptions which are reflected throughout the O&M title, provide a brief overview of the Defensewide O&M portion of the title and then have General Litke and Mr. Reed provide an overview of the FY 1987 O&M request for the Defense Logistics Agency and the Defense Contract Audit Agency.

As the Committee considers the FY 1987 budget request, it will be important for you to understand various assumptions upon which the O&M title was developed. I would now like to take this opportunity to discuss some of the more significant areas with you.

The FY 1987 request for O&M at the title level is $86.4 billion, an increase of $7.7 billion in budget authority over FY 1986. The difference between the two fiscal years in terms of total obligational authority is an approximate $5.2 billion which includes $.7 billion for the 3.0% civilian pay raise. The pay raise amount is reflected in the contingency and not included in the FY 1987 O&M authorization request. The FY 1986 column of the FY 1987 President's budget reflects a transfer of $2.5 billion. The transfer amount includes $827 million of prior year unobligated balances which have been reprogramed into O&M to provide for increased readiness related initiatives. Section 8103 of the Defense Appropriations Act, FY 1986, authorized the transfer of approximately $6.3 billion of prior years funds for various requirements. The Department will transmit a request seeking congressional approval of the transfrer. The remaining portion of the transfer, approximately $1.6 billion, has been reprogramed from the Foreign Currency Fluctuations, Defense appropriation in order to cover FY 1986 projected losses in the various O&M accounts of the Military Components due to a weakening of the U.S. dollar as compared to foreign currencies.

The $1.6 billion represents the difference between the budgeted foreign currency execution rates, as directed by the Congress, and foreign currency rates in effect at the time we completed formulation of the FY 1987 budget. We have priced the FY 1987 budget on the basis that the currency rates experienced at the end of 1985, on the average, will remain in effect throughout FY 1986 and FY 1987.

The O&M budgets assume an inflation rate of 4.0% in FY 1987. We use this rate whenever we do not have specifically established rates, as we do for industrial and stock fund purchases, fuel, GSA leases, etc. In certain areas, such as medical programs and overseas base support contracts, we use different rates based on historical experience.

Fuel purchases from the stock funds are priced at $31.50 per barrel for FY 1987. This compares to the FY 1986 standard price of $34.02 per barrel. However, when FY 1986 refunds directed by the Congress are considered, the effective price per barrel is $31.81 for FY 1986.

Industrial and stock fund purchases reflect the individual rates set for each activity and commodity group in the respective industrial and stock fund budgets. These rates vary greatly which is reflective of individual circumstances of the separate activity and commodity groups.

We have continued to budget for the FY 1987 Environmental Restoration Program in a central transfer appropriation as provided for by the Congress in FY 1986. However, we have not included resources related to the Hazardous Waste Disposal Program in the Environmental account. Beginning in FY 1987 budgetary and financial responsibility for disposal operations have been assigned to the Military Components as directed by the Congress. The FY 1987 budget includes approximately $386 million in the central transfer account for environmental programs which compares to $315 million for FY 1986.

The budget does not include any major proposed policy or funding realignments. In this regard, the unit price criteria for determining whether purchases of a given item is an investment or an expense remains unchanged at $5,000. As provided for the congressional review of the FY 1986 budget, those funds required to purchase items costing more than $5,000 are included in the procurement accounts.

Additionally, FY 1986 estimates do no reflect reductions made as a result of the Balanced Budget and Emergency Deficit Control Act of 1985.

$3.9 billion of O&M funds is subject to sequestration. The Military Components have been advised that, to the extent possible, reductions should be applied selectively so as to minimize the impact on readiness. Specific adjustments required to effect the sequestration are being developed by the Services. There will undoubtedly be reductions to various programs reflected in the FY 1986 column of the budget request including selective personnel hiring restrictions.

I would like to turn now to a brief overview of the Defensewide O&M appropriation.

There are 21 Defense Agencies included within the Operation and Maintenance, Defense Agencies appropriation that provide essential support to the missions of the Military Departments. The Agencies have been formed to perform activities which are common to all of the Services and which can be accomplished more efficiently and economically by a single organization.

To provide a better understanding of these diverse programs, we have divided them into five broad categories: Readiness, Intelligence and Communications, Audit and Investigative Activities, Defense Management Support and Military Personnel Support. The attachment to my statement shows the Agencies grouped under each category along with the price and program growth associated with each Agency and category. FY 1987 increases by $842.1 million over FY 1986 consisting of $266.9 million for price growth and $575.2 million for program growth.

The Intelligence and Communications category, which is comprised of the National Security Agency, the Defense Intelligence Agency and the Defense Communications Agency, accounts for approximately 27% of the total program for FY 1986 and approximately 34% of the program growth. To avoid problems of security classification, I do not plan to discuss this area further today.

The other major area of program growth occurs in the Military Personnel Support category which has program growth of $290 million or approximately 50% of the total growth for the Defensewide programs. Included within this total is an increase of $193 million for the Civilian Health and Medical Program of the Uniformed Services (CHAMPUS). Within this amount $79 million is included for a dental benefit plan for active duty dependents. The dental program will be administered by an independent insurance carrier. The Office of CHAMPUS will award the contract and monitor program performance. Due to the leadtime involved in negotiating a contract, the budget reflects a January 1987 implementation date. The remaining portion, some $114 million, is primarily due to an anticipated need for additional CHAMPUS funds in FY 1986. Beneficiary utilization data reported for the first 3 to 4 months of FY 1986 indicate a requirement for an additional $70 to $100 million. However, insufficient data was available when we formulated the budget to determine if a reprograming of funds of that magnitude is actually required for FY 1986. We did decide, however, that we should not understate the FY 1987 estimate. We will certainly keep the committee advised of the adequacy of FY 1986 funds and our intent relative to a reprograming of funds. A $26 million increase is requested for the Defense Medical Support Activity. The increase is needed to provide for an accelerated deployment of the Composite Health Care System. The funds will provide for contract award, initial testing at three sites, architectural and engineering studies and site preparation for follow-on system installation. Also included is an increase of $64 million for the Dependents School Program. These funds are needed to provide for the full year costs of educational enhancement programs started in FY 1986, new initiatives programed for FY 1987 and to provide comparability for Section 6 schools with local school districts.

The Audit and Investigative category has program growth of $62 million or 11% of the total program growth. An increase of $47 million and $9 million are required for the Defense Contract Audit Agency and the Office of the Inspector General, respectively. The increase primarily provides for increased personnel costs. These additional personnel are required to achieve greater savings in the conduct of audits. Specifically, the additional staffing for the Defense Contract Audit Agency is needed to reduce the continuing growth in the backlog of audits related to incurred cost contracts. The Defense Investigative Service increase of $6 million is needed to provide for the continuing update of security clearances, Top Secret or above, which have not been reviewed in the last five years.

The Defense Management Support category has program growth of $42 million or 7% of the total program growth. The Office of the Joint Chiefs of Staff needs $15 million to provide for the upgrade of automated systems. JCS Management Headquarters is engaged in a major effort to improve the warfighting analytical capability of the Commanders-in-Chiefs. The Defense Nuclear Agency requires an increase of $8 million. The increase is primarily for the conduct of the biennial nuclear accident exercise and increased maintenance at the Johnston Atoll. An increase $8 million is requested to enable the Washington Headquarters Services to continue to provide for office automation and networking requirements.

The final category, Readiness Related Activities, represents approximately 31% of the total Defensewide appropriation. On an overall basis, program growth for this category decreases by 3% or a reduction of $17 million. However, included within this amount is a program decrease of $59 million related to the reassignment of budgetary responsibility for the Hazardous Waste Disposal Program to the Services. The Defense Logistics Agency (DLA) will still retain the Defensewide mission for disposal of environmentally regulated waste. However, commencing in FY 1987, the Services will reimburse DLA for costs associated with operating the disposal program. If we set aside the DLA funding transfer, the FY 1987 request for DLA is approximately level with FY 1986. An increase in program growth of $31 million is needed for the Defense Mapping Agency for production of mapping, charting and geodesy data in support of current and new weapon systems. There is also an increase of $7 million for the JCS exercise program.

This completes my statement. I would now like to ask General Litke and Mr. Reed to provide you with a brief presentation of their respective programs.

OPERATION AND MAINTENANCE BY SERVICE BY APPROPRIATION

($ in Millions)

	FY 1985 Actual	FY 1986 Estimate	FY 1987 Estimate	86-87 Change
Army	20,824.7	22,674.5	23,922.8	+ 1,248.3
Army	18,660.4	20,210.7	21,341.9	+ 1,131.2
Army Reserve	731.4	780.1	793.1	+ 13.0
Army National Guard	1,431.9	1,682.8	1,786.9	+ 104.1
Rifle Practice, Army	.9	.9	.9	-
Navy	27,456.2	27,709.8	28,593.8	+ 884.0
Navy	24,930.1	25,072.5	25,688.5	+ 616.0
Marine Corps	1,657.8	1,666.5	1,864.1	+ 197.6
Navy Reserve	809.6	912.6	975.9	+ 63.3
Marine Corps Reserve	58.7	58.2	65.3	+ 7.1
Air Force	21,929.3	22,892.4	24,122.8	+ 1,230.4
Air Force	19,226.9	20,176.5	21,214.5	+ 1,038.0
Air Force Reserve	877.8	902.7	975.6	+ 72.9
Air National Guard	1,824.6	1,813.2	1,932.7	+ 119.5
Defensewide	7,577.4	7,888.1	9,133.6	1,245.5
Defense Agencies	7,139.4	7,731.6	8,573.7	+ 842.1
Claims, Defense	133.4	143.3	155.6	+ 12.3
Court of Military Appeals, Defense	2.6	3.2	3.4	+ .2
Environmental Restoration, Defense	302.0	-	385.9	+ 385.9
Tenth International Pan American Games	-	10.0	15.0	+ 5.0
TOTAL TOA	77,787.6	81,164.8	85,773.0	+ 4,608.2
FY 1987 Civilian Pay Raise in Defensewide Contingency	-	-	+ 666.8	
Subtotal	77,787.6	81,164.8	86,439.8	+ 5,275.0
(Constant 87 Dollars)	(81,214.6)	(83,429.2)	(86,439.8)	
Financing Adjustments	+ 15.3	-2,467.7	-	
Total Budget Authority	77,802.9	78,697.1	86,439.8	+ 7,742.7

Totals may not add due to rounding.

FOREIGN CURRENCY RATES

The Foreign Currency Fluctuations, Defense (FCF,D) appropriation was established in FY 1979 and is managed by the Assistant Secretary of Defense (Comptroller) who transfers funds from this account to operating appropriations as necessary. The transferred funds are made available only for funding a Centrally Managed Allotment (CMA). This CMA has been established in each operating appropriation involved to cover net losses in direct programs due to unfavorable fluctuations in foreign exchange rates in selected currencies. Since the FCF,D appropriation is only available to fund net losses, gains and losses are accumulated in the CMA in each affected operating appropriation. If a net gain results, the balance must be returned to FCF,D.

The rates below are the exchange rates used as a baseline against which actual fluctuations are measured as programs are executed. These rates are expressed in terms of units of foreign currency that can be purchased with one (1) U.S. dollar.

FOREIGN CURRENCY EXCHANGE RATES
(Dollar in Foreign Currency)

Country	Monetary Unit	Execution Rates		President's Budget Rate
		FY 1985	FY 1986	FY 1987
Belgium	Franc	65.55	75.91	50.36
Canada	Dollar	1.47	1.70	1.40
Denmark	Krone	11.67	13.51	8.97
France	Franc	9.80	11.35	7.54
Germany	Deutsche Mark	3.22	3.73	2.46
Greece	Drachma	115.20	133.40	150.80
Italy	Lira	1,954.65	2,261.93	1,678.00
Japan	Yen	278.46	322.41	200.55
Netherlands	Guilder	3.61	4.18	2.77
Norway	Krone	8.94	10.35	7.58
Portugal	Escudo	154.09	178.44	158.00
Spain	Peseta	185.39	214.70	154.00
Turkey	Lira	302.68	350.51	569.65
United Kingdom	Pound	.81	.94	.69

DoD CUSTOMER POL PRICES

The following table shows the prices by POL product that the DoD customers are paying for each fiscal years. Also provided is a composite price for each fiscal year. Additionally the table displays the effects of the fuel-related refunds in FY 1985 and FY 1986 and the effective composite prices that result from these refunds.

POL CUSTOMER PRICES

	FY 1985		FY 1986		FY 1987	
Product Type	Gallon	Barrel	Gallon	Barrel	Gallon	Barrel
AVGAS	1.32	55.44	1.15	48.30	1.37	57.54
Motor Gas Leaded	1.05	44.10	.83	34.86	.83	34.86
Motor Gas Unleaded	1.11	46.62	.86	36.12	.84	35.28
Gasohol	1.11	46.62	.86	36.12	.84	35.28
JP-4	.93	39.06	.79	33.18	.73	30.66
JP-5	1.00	42.00	.87	36.54	.79	33.18
JP-8	1.09	45.78	.95	39.90	.85	35.70
Distillates	.95	39.90	.82	34.44	.75	31.50
Residuals	.68	28.56	.76	31.92	.70	29.40
Navy Reclaimed	.74	31.08	.48	20.16	.44	18.48
Actual Composite	.94	39.48	.81	34.02	.75	31.50
Refund Effect	-.16	-6.86	-.05	-2.21	-	-
Effective Composite	.78	32.62	.76	31.81	.75	31.50
Stock Fund Cost	.84	35.26	.78	32.76	.75	31.50
Special Fuels 1 (JP-7)	1.81	76.02	1.56	65.52	1.37	57.54
Special Fuels 2 (JP-TS)	1.87	78.54	1.62	68.04	1.25	52.50

INDUSTRIAL FUND AND STOCK FUND SUPPORT

($ in Millions)

	FY 1985 Actual	FY 1986 Estimate	FY 1987 Estimate
Army	-585.7	-587.0	-168.1
Navy	-576.9	-1,074.5	-825.5
Marine Corps	-27.4	-28.3	-16.0
Air Force	-642.4	-556.0	-451.0
Defense Agencies	-15.0	-13.3	-
Army Reserve	-1.1	-19.3	-
Navy Reserve	-7.1	-47.6	-
Marine Corps Reserve	-	-4.2	-
Air Force Reserve	-64.0	-14.4	-
Army National Guard	-6.3	-42.1	-
Air National Guard	-55.8	-35.4	-
Total	-1,981.7	-2,422.1	-1,460.6
INDUSTRIAL FUND SUPPORT	-183.2	-378.5	-658.3
Retained Earnings	-	-727.5	-444.5
Premium Rates for SAAM	-	-	-54.0
Pay Related Amounts	-1.5	+ 349.0	-
Unfinanced FY 1987 Pay Raise Amounts	-	-	-159.8
Other Refunds	-181.7	-	-
STOCK FUND SUPPORT	-1,798.5	-2,043.6	-802.3
Fuel	-1,309.6	-435.5	-
Nonfuel	-488.9	-1,608.1	-802.3

DEFENSE AGENCIES
(Dollars in Millions)

	FY 1985 Actual	PRICE	PGM.	FY 1986 Estimate	FY 1987 Estimate	PRICE	PGM.	% TOTAL PGM CHG
Readiness								
DMA	463.0	+ 11.4	-17.1	457.3	494.1	+ 5.8	+ 31.0	
DLA	1,644.8	+ 33.5	+ 221.6	1,899.9	1,882.9	+ 38.2	-55.2	
JCS Exer	311.6	-41.9	+ .9	270.6	284.5	+ 6.8	+ 7.1	
Total	**2,419.4**	**+ 3.0**	**+ 205.4**	**2,627.8**	**2,661.5** (31.0%)	**+ 50.8**	**-17.1**	**-3.0**
Intelligence/Communications								
Total	**1,939.5**	**+ 64.0**	**+ 76.3**	**2,079.8**	**2,316.5** (27.0%)	**+ 38.7**	**+ 198.0**	**+ 34.4**
Audit/Investigative Activities								
DIS	117.5	+ 1.5	+ 26.2	145.2	152.3	+ .8	+ 6.3	
DCAA	158.4	+ 2.0	+ 26.5	186.9	235.1	+ .9	+ 47.3	
OIG	54.7	+ .9	+ 12.3	67.9	77.3	+ .7	+ 8.7	
Total	**330.6**	**+ 4.4**	**+ 65.0**	**400.0**	**464.7** (5.5%)	**+ 2.4**	**+ 62.3**	**+ 10.8**
Defense Management Support								
OSD	114.7	+ 2.4	+ 2.9	120.0	127.5	+ 2.2	+ 5.3	
WHS	82.4	+ 2.3	+ 11.1	95.8	106.8	+ 3.1	+ 7.9	
DISA	-	-	+ 1.7	1.7	2.2	-	+ .5	
DTSA	-	-	+ 3.7	3.7	5.2	-	+ 1.5	
DNA	46.5	+ 1.1	-5.0	42.6	52.0	+ .9	+ 8.5	
OJCS-MgtHq	39.0	+ 1.0	+ 11.4	51.4	68.2	+ 1.6	+ 15.2	
OEA	2.6	+ .1	+ 12.6	15.3	18.3	+ .6	+ 2.4	
DLSA	3.0	-	+ 1.4	4.4	4.8	-	+ .4	
DAVA	20.7	+ .4	-21.1	-	-	-	-	
Total	**308.9**	**+ 7.3**	**+ 18.7**	**334.9**	**385.0** (4.5%)	**+ 8.4**	**+ 41.7**	**+ 7.3**
Military Personnel Support								
AFIS	49.5	+ 1.6	+ 4.7	55.8	61.1	+ 2.0	+ 3.3	
CHAMPUS	1,370.9	+ 151.3	-98.1	1,424.1	1,740.5	+ 123.0	+ 193.4	
DoDDS	627.6	+ 31.6	+ 49.0	708.2	812.0	+ 39.5	+ 64.3	
USUHS	30.1	+ .5	-.3	30.3	34.2	+ .4	+ 3.5	
DMSA	62.9	+ 2.1	+ 5.7	70.7	98.2	+ 1.7	+ 25.8	
Total	**2,141.0**	**+ 187.1**	**-39.0**	**2,289.1**	**2,746.0** (32.0%)	**+ 166.6**	**+ 290.3**	**+ 50.5**
GRAND TOTAL	**7,139.4**	**+ 265.8**	**+ 326.4**	**7,731.6**	**8,573.7** (100.0%)	**+ 266.9**	**+ 575.2**	**+ 100.0**
% GROWTH		+3.7	+4.6			+3.5	+7.4	

DEFENSE AGENCIES

Operation & Maintenance Appropriation

Civilian End Strength

	FY 1985 Actual	FY 1986 Estimate	FY 1987 Estimate	86-87 Change
Readiness				
DMA	9,078	9,302	9,402	+100
DLA	49,635	50,028	51,664	+1,636
Total	58,713	59,330	61,066	+1,736
Intelligence/Communications				
Total	4,928	5,213	5,646	+433
Audit/Investigative Activities				
DIS	3,520	4,497	4,580	+83
DCAA	4,641	4,854	6,461	+1,607
OIG	1,002	1,132	1,514	+382
Total	9,163	10,483	12,555	+2,072
Defense Management Support				
OSD	1,194	1,307	1,307	--
WHS	454	475	483	+8
DNA	503	580	606	+26
OJCS-MgtHq	311	349	355	+6
DISA	30	36	36	--
DTSA	35	112	112	--
OEA	26	34	34	--
DLSA	70	112	112	--
DAVA	234	--	--	--
Total	2,857	3,005	3,045	+40
Military Personnel Support				
AFIS	138	142	143	+1
CHAMPUS	224	226	226	--
DoDDS	12,887	12,715	13,453	+738
USUHS	635	651	651	--
DMSSC	47	72	95	+23
Total	13,931	13,806	14,568	+762
GRAND TOTAL	89,592	91,837	96,880	+5,043

DEFENSE AGENCIES

Military Personnel End Strength

	FY 1985 Actual	FY 1986 Estimate	FY 1987 Estimate	86-87 Change
Readiness				
DMA	452	480	489	+9
DLA	961	1,045	1,045	--
Total	1,413	1,525	1,534	+9
Intelligence/Communications				
Total	7,788	8,203	8,291	+117
Audit/Investigative Activities				
DIS	--	--	--	--
DCAA	--	--	--	--
OIG	32	36	36	--
Total	32	36	36	--
Defense Management Support				
OSD	497	458	458	--
WHS	134	123	123	--
DNA	340	356	379	+23
OJCS-MgtHq	1,272	1,226	1,250	+24
DISA	22	19	19	--
DTSA	13	23	23	--
OEA	3	5	5	--
DLSA	--	6	6	--
DAVA	6	--	--	--
Total	2,287	2,216	2,263	+47
Military Personnel Support				
AFIS	68	64	64	--
CHAMPUS	7	9	9	--
DoDDS	--	--	--	--
USUHS	787	792	788	-4
DMSA	30	38	58	+20
Total	892	903	919	+16
GRAND TOTAL	12,412	12,883	13,043	+189

ENVIRONMENTAL RESTORATION, DEFENSE

($ in Millions)

FY 1985 Actual	Price Growth	Program Growth	FY 1986 Estimate	Price Growth	Program Growth	FY 1987 Estimate
302.0	+ 10.6	-312.6	-	-	+ 385.9	385.9

In FY 1984 Congress established the Environmental Restoration, Defense (ER,D) appropriation in order to provide emphasis and visibility of expanded environmental restoration efforts on both active installations and formerly-used lands. The ER,D appropriation provides for the identification, investigation and cleanup of contamination from hazardous substances and wastes, correction of other environmental damage, detection of unexploded ordnances, demolition and removal of unsafe buildings and structures, debris removal, and improvement in the Department's reduction and recycling of hazardous waste.

The Congress appropriated $379.1 million in FY 1986 for environmental restoration efforts and hazardous waste disposal operations in a central Environmental Restoration, Defense transfer appropriation. The Congress provided the Department with the authority to transfer funds from the central ER,D appropriation to the various Defense appropriations to finance environmental restoration efforts and directed the Department to establish future budgets for environmental restoration efforts in the central appropriation. Additionally, the Congress directed that the FY 1987 budget request include funding for current generated hazardous waste disposal operations (HWDO) within the various Services' Operation and Maintenance (O&M) budgets and not as part of the central appropriation.

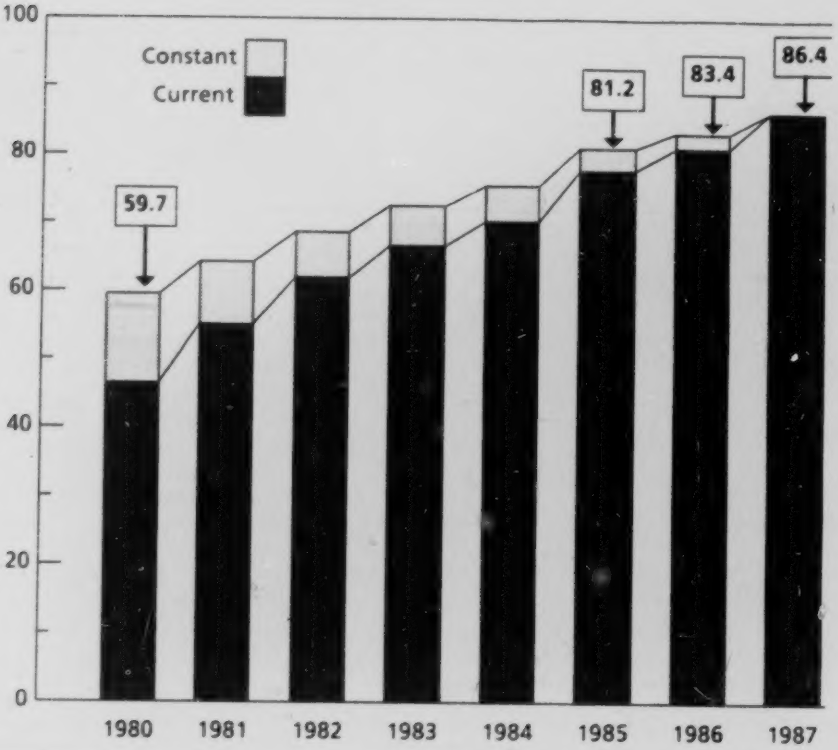
The following chart identifies the funding included in the ER,D appropriation for environmental restoration efforts and hazardous waste disposal operations:

($ in Millions)

	FY 1985 Actual	FY 1986 Estimate	FY 1987 Estimate
Total Environmental Program	302.0	379.1	385.9
HWDO	52.6	64.4	-
Environmental Restoration	249.4	314.7	385.9
(O&M)	-	(286.5)	-
(Other Appropriations)	-	(28.2)	-

SUMMARY OF SIGNIFICANT CHANGES BETWEEN FISCAL YEARS

O&M CONSTANT and CURRENT DOLLARS
TOA, $ in Billions
FY 1980 - 1987



Fiscal Year	1980	1981	1982	1983	1984	1985	1986	1987
Constant 87 $	59.7	64.5	68.8	72.9	76.0	81.2	83.4	86.4
Current $	46.6	55.2	62.0	66.7	70.4	77.8	81.2	86.4
% Real Growth	6.0	8.0	6.6	6.0	4.2	6.9	2.7	3.6

Mr. DANIEL. Mr. Hutto.

Mr. HUTTO. Mr. Dube, what inflation rate are you using?

Mr. DUBE. Four percent for 1987, coming after a 3.5-percent estimate for 1986. Those are the OMB/administration inflation assumptions.

Mr. HUTTO. How about the fuel? You say that we can kind of disregard the low price of crude per barrel.

Mr. DUBE. I did not mean to say we can disregard it. I was trying to avoid the confusion between what that figure represents versus what this $31.50 represents in our estimates.

Again, we do not buy crude oil, we buy refined product. In fact, we have no absolute way to know what crude is costing. What we do is take the prices that we paid for finished product over the years and then go to economic data that is available which shows what the refiners were buying crude for during those same time periods. Essentially, the differences between those prices over the last 5 years, DLA informs me, has been about $10.72 a barrel—the average difference between what we think crude was costing our suppliers and what the refined product was costing us, on the order of $10 a barrel. That means implicit in our $31.50 is a figure of about $21 for crude. But, again, remember we do not know that for certain. We have to extrapolate that number. We think it is about $21.

Obviously, if the price of crude in 1987 average $15 a barrel, we should save $6 a barrel from the estimates here.

My only point was, I wanted to make sure if you said your assumption was $15 for crude, the savings is $6, not $16.50. That is the key point.

Mr. DANIEL. Would the gentleman yield?

Mr. HUTTO. I would be happy to yield.

Mr. DANIEL. How much fuel do you have in inventory?

Mr. DUBE. I really do not know. I can get that answer for you.

Mr. DANIEL. Does anyone know what we have in inventory now?

General LITKE. Sixty million barrels.

Mr. DANIEL. Thank you.

Mr. DUBE. Our annual consumption in 1987 is estimated to be about 193 million barrels, but I do not know the inventory.

Mr. DANIEL. I thank the gentleman for yielding.

Mr. HUTTO. Yes, sir.

On page 3 of your prepared statement, you indicate that the fiscal year 1986 column of the fiscal year 1987 O&M request contains $827 million of prior year unobligated balances for increased readiness-related initiatives. What action is the Department asking this committee to take with regard to these transfers?

Mr. DUBE. It is a fairly wide range of programs that are quite different among and between the services. I can give you a number of examples of them without giving you necessarily an exhaustive list.

In the Army, there is $207 million related to force structure support, organizational clothing and equipment, repair parts, maintenance of equipment and facilities, and some physical security projects.

In the Navy, there is $265 million associated with ship overhauls and depot maintenance efforts.

In the Air Force, there is about $208 million associated with strategic and tactical flying support, including a very small number of increased flying hours, but in other cases support to the flying programs, and maintenance and repair of equipment and facilities, as well as some medical operations support.

In the case of the defense agencies, there is $75 million in DLA to maintain and improve the supply responsiveness of the system, and in the case of DMA related to the acquisition of mapping and charting products for safety of flight navigation data. So it is a very broad range.

Now, we will be coming over some time soon—I am not sure just when—with an identification in detail of those programs and notifying the Congress of our proposed utilization of those amounts.

There is some uncertainty with respect to the amounts. We have made the assumption in the budget that $827 million would be transferred. I do not know if you recall that that is part of that $6.3 billion unobligated balance transfer that was directed in the Appropriation Act. A part of that, after we had locked up the budget, was subject to the Gramm-Rudman sequestration, and there may have to be some change in our plans there, as well as the fact that there is uncertainty with respect to how much is going to have to be used in the military personnel account to finance the retired pay accrual and the military pay raise.

So we are in the process of trying to determine those numbers, and then at that time we will come to the committees with an indication of how we propose to apply it.

Mr. HUTTO. Thank you.

Thank you, Mr. Chairman.

Mr. DANIEL. Mr. Ray.

Mr. RAY. Thank you, Mr. Chairman.

Mr. Dube, it is good to have you here today. Your testimony has been straightforward and interesting.

On page 5 of your prepared statement you indicate that the military components have been advised that, to the extent possible, sequestration reductions should be applied selectively to minimize the impact on readiness. Would you clarify that just a little bit? How do you see this guidance being carried out, and how much flexibility do the Services have to absorb over $3 billion in program reductions?

Mr. DUBE. Secretary Taft signed out guidance that encouraged the Services to be as selective as they could to try to avoid taking pure prorated cuts in areas that directly affect readiness, and the signs that we see are that they are doing that.

I do not think flying hours will be cut as much as certain other programs will be. That does not mean they are not going to be cut at all and that readiness areas are not going to suffer some impact, but the guidance was to manage those reductions as best they can by looking to prioritize and find those things that are most indirect.

Obviously, we do not think the budget was full of unnecessary things, but there is a set of priorities that the Services can follow to seek to manage as best they can and in a way that is least disruptive to readiness.

Mr. **Ray.** I do not know that what I am going to ask now is possible or not, but has there been any thought given to the OSD level, to take a look at the priorities across all branches of the Services? O&M, for instance, in my opinion, would be No. 1, and No. 2 would be personnel type programs, keeping the overhead going on what we had the day before we get into new programs and such as that.

I wonder, has there been any thought given by OSD to this in order that we might feel, in procurement—if we have to cut $18 billion, according to Gramm-Rudman, it would take every cut of every new start, and it would be very helpful to us, I think, if OSD would just simply say we are going to transfer a million from certain areas. Does that make sense?

Mr. **Dube.** Yes. Essentially, absent Gramm-Rudman, that prioritization and that striking of appropriate balances is what we think our whole resource allocation process attempts to do. We go through that in a very, very intensive review throughout the fall to look at exactly those things—the interservice programs and how they prioritize, and intratitle programs—to come up with what, in the Secretary's mind, is the best balance of those programs.

Now Gramm-Rudman, of course, comes along and does not make allowances and does not allow for that process to operate in the way it normally would. For example, if, in the absence of the requirements in Gramm-Rudman that amounts be proportionate by PPA unless certain things existed, we would have taken out the money somewhat differently. I cannot answer how we would have implemented those reductions because we did not go through that process, but I can guarantee it would have been different. Whether it might have been more satisfactory to you or not I could not speculate, but it would be different because we could then say, all right, we are going to prioritize and, while maintaining that balance, do what we can.

The requirements in the Gramm-Rudman law, as enacted, reduce our ability to do that, and so it is for that reason that the Secretary, of course, is most anxious to ensure that the trigger does not get pulled.

Mr. **Ray.** I realize that you are working on your particular program right here, but we are having to look at all of them. So I would just like to make a statement or two on this right now.

Each branch of the Service comes to us with the President's budget, which we think is not realistic. It is going to be cut from that. It is awfully hard trying to sell every single program.

I believe it was last year that Senator Nunn and Congressman Spratt on this side introduced legislation which, in effect, asked OSD to give us some guidance in the committees on where we should work to cut. We of course have not had that guidance, but it is going to be difficult, in my opinion, for us to selectively take out some of these programs, particularly in some of the other committees, without some direct guidance from maybe your office and OSD.

Mr. **Dube.** I understand that, and of course I hope you will understand the Secretary's position with respect to the reluctance to say, "Here's my budget, and here's how to cut it at the same time."

I really cannot give you much in the way of a positive indication that that is likely to change, although at some point, as in the past, it may be that that will occur.

Mr. **Ray**. I appreciate your indulgence there.

On page 7 of your prepared statement you have indicated that there are and will be significant increases in the CHAMPUS Program. What actions are you looking at to restrain the growth in this program, and what statutory changes would have to made to hold CHAMPUS costs to the fiscal year 1986 level?

Mr. **Dube**. Let me try to do that in two pieces. A number of initiatives are under way in CHAMPUS to hold those costs down to the minimum level consistent with the benefits that are enacted in law and with the understanding of what the CHAMPUS benefits are.

A number of initiatives are under way. The so-called Primus clinics, those contractual primary care clinics that seem to be working very well are very popular. They are expected to achieve some effective savings and also to have the effect of changing the mix of workload between our military treatment facilities and the civilian hospitals to ensure that the military medical system in peacetime is more exercised toward wartime readiness and so forth; there are some changes going on there.

We are conducting a number of demonstrations, including a very exciting one at Wilford Hall with respect to bone marrow transplants, and some savings in CHAMPUS are reflected in the 1986 and 1987 budgets as a result of that. The Air Force is taking over those transplants and managing, if you will, all of the transplants in the country, and we hope for some significant savings in CHAMPUS there.

We are working on a demonstration project at Fort Ord that we hope will result in some savings, and a number of initiatives have been in place for some time and are having some effect with respect to ensuring that the workload that can be done in house is done in house.

In addition to those initiatives there is legislation which is proposed with the fiscal year 1987 budget. The savings are reflected in the total defense budget but not in the CHAMPUS numbers that I have given you, consistent with the requirement that the budget in the appropriation accounts be based on current legislation.

We have proposed the CHAMPUS-Medicare link to ensure that we can, in fact, take advantage of the savings that the Medicare system is able, through its much greater leverage, to achieve. At the moment we do not have that, and we have proposed legislation to allow us, in what we call coordination of benefits, to be reimbursed for medical care provided to eligible beneficiaries, other than our active duty personnel, who have insurance coverage. We currently have that for CHAMPUS when it is on the civilian side but not in our facilities, and a change in law is required there.

The 1987 estimate of savings of those two legislative proposals is $181 million. So that would be one way to save it.

Mr. **Ray**. Thank you, sir.

Thank you, Mr. Chairman.

Mr. **Daniel**. Mr. Dube, you have indicated a 4-percent inflation rate for 1987. Suppose that turns out to be 3 percent. What would your saving be?

Mr. **Dube**. I would like to give you a rough answer now and then give you a more detailed answer for the record, if I could.

We ran a little exercise a couple of months ago, not necessarily on the final numbers we had, that every 10th of a percentage would save us about $60 million. So if it went from 4 to 3, that would be in the neighborhood of $600 million in savings, which reflects the savings not only of the purchases made directly in O&M but the services purchased from the stock fund and industrial fund, other than fuel.

My guess is, it will be in the $600 million range, and I would like to give you a more detailed answer to that for the record.

Mr. **Daniel**. All right, sir.

[The following information was received for the record:]

A change of one percent in the Administration's inflation assumption for all purchases excluding civilian pay would result in a savings in the O&M accounts of $610.4 million. Savings from the "other purchases" category constitutes the largest portion of this amount at $333.3 million. The remaining savings would occur in the items purchased from the stock funds (fuel and non-fuel products) and from the industrial funds with estimated savings of $139.3 million and $137.8 million, respectively. (Due to the Department's stabilized rate policy for the stock and industrial funds, the convention used to adjust the budget for inflation savings in these funds has been to reduce the O&M accounts and require refunds of equal amounts from the funds to the O&M customer accounts).

Mr. **Daniel**. On page 4 you indicate that funding for the Hazardous Waste Disposal Program has been assigned to the military components. Why was this action taken, and what impact will it have on the DLA management of the programs?

Mr. **Dube**. Basically, we took the action because we wanted to align the funding responsibility for disposal with the organization generating the hazardous waste.

Up until 1987 we have a situation where the costs of the disposal are borne by DLA, which, in a sense, eliminates one of the incentives on the part of the Services at their installations to reduce and hold down to a minimum the amount of hazardous waste that they generate. That method also has the effect that, to the extent that somebody has to incur a cost of a more expensive process in order to reduce the hazardous waste disposal costs, they do not get the effect of the savings of lower disposal costs under the old method of budgeting.

By aligning the financial responsibility the way we have, we think we have got the resource system working with the right set of incentives.

Now I want to stress that while we have changed the funding responsibility we have not changed in any way the management responsibility. DLA will continue to be the central agent, if you will, for contracting and for getting it done, but they will be doing it on a reimbursable basis.

Now it is clearly to the Services' advantage to generate less for disposal because they will now have to pay for it, and to the extent that they can reduce the amount of disposal, the savings accrue to them as opposed to DLA. On the other hand, to the extent they do not, the shortfall in funding accrues to the generator rather than the disposer. We think it is a sensible way to approach it.

Mr. **Daniel**. Dr. West.

Dr. **West**. One thing that is not clear in my mind is with regard to the transfers that we are talking about in the Appropriation Act as well as we have at least $50 million in environmental restoration that comes under 8109 and so forth. What kind of process are you looking at in the Department of Defense to legitimize transfers and also send up some sort of legislation with regard to the unauthorized programs that are covered in 8109?

Mr. **Dube**. Two very different tracks and trails. Let me take the unobligated balance transfers.

The law requires that we notify the Congress with a 15-day lead time of how we propose to utilize the $6.3 billion including this $827 million. In its report, the Appropriations Conference committee stressed that they expected that we would not simply report and go but that we would give them the opportunity to hold hearings if necessary. I would expect we will have a letter outlining it and then await the approval of the four committees before we proceed with it, although the legislation itself required only 15-day notification.

It is not clear to me on the appropriated, not authorized, exactly what the vehicle is going to be. It had been my understanding at one point that the Senate Armed Services Committee was planning to initiate the legislation required for a supplemental authorization in fiscal year 1986 for the items covered by 8109. That seems to be on hold, and I frankly do not have a good handle on how we are going to get from here to there on that.

Dr. **West**. Thank you.

Mr. **Daniel**. Mr. Eastman.

Mr. **Eastman**. Mr. Dube, are the costs associated with the so-called section 6 school systems included in the DOD's figures in this?

Mr. **Dube**. Yes, sir.

Mr. **Eastman**. The DOD school costs, 14 percent increase in dollars and 6 percent in people, do you know whether or not the dependents of non-DOD agencies who attend DOD schools—do their parent agencies reimburse DOD? In other words, overseas if you were the child of an FAA employee and that FAA employee was stationed at an air base, his child is allowed to go to the DOD school system. So in effect DOD is paying for an FAA kid's education. Does FAA reimburse DOD?

Mr. **Dube**. It is my impression not, but I am not really sure. I think they are allowed to go on a space-available basis, and I think there is no reimbursement, but I am not absolutely sure of that, Mr. Eastman. If I could, I could get you an answer.

Mr. **Eastman**. If these costs appear to be going up fairly significantly here, I wonder how big a piece of our school system in the associated funding is being used to educate non-Defense Department dependents.

Mr. **Dube**. I honestly do not have an idea. I assume it is a relatively small part, but I am sure we have got numbers of the total enrollment and how many are DOD and how many are non-DOD, and I guess we ought to look at the question.

Mr. **Daniel**. If the gentleman would yield, I think that is a very important point. We need to know how many there are.

Mr. **Dube**. Right.

Mr. **Daniel**. Percentagewise, and who is paying for it.

Mr. **Dube**. Yes; at a very small level it might not make much sense to do that, but to the extent there are any significant contributors, it might well be important so we have the costs properly allocated between defense and nondefense. I would like to get back to you and the record for an answer to that.

Mr. **Eastman**. Thank you.

[The following Information was received for the record:]

OVERSEAS DEPENDENT EDUCATION

P.L. 95-561 authorizes the enrollment of children not otherwise eligible to enroll if space is available in the school. DoD Directive 1342.13, "Eligibility Requirements for Education of Minor Dependents in Overseas Areas" establishes policy and priority for enrolling space-available students. There are two categories of space-available non-Department of Defense students:

1. Tuition-Paying (nonfederally-connected) who are dependents of U.S. Government agencies, non-appropriated fund instrumentalities, defense contractors, United Services Organization and American Red Cross employees stationed overseas. Average tuition for this category is $4,389 for the current school year.
2. Tuition-Paying (nonfederally-connected) who are dependents of U.S. citizens residing overseas, including dependents of retired personnel and dependents of third country foreign nationals. Average tuition for this category is $4,883 for the current school year.

Approximately 96 percent of the students in the overseas schools are sponsored by Department of Defense employees (military and civilian) and all other students pay tuition. Tuition Rates are established on the basis of average cost per students in the schools. Funds collected from tuition-paying students are used to defray the cost of operating the schools. The FY 1987 President's Budget estimates these tuition revenues at $26.4 million for FY 1986 and $26.8 million for FY 1987.

The student enrollment in the overseas schools in the current school year was counted on November 29, 1985 at a total of 149,319 students, of which 3,564 (2.4%) were in the tuition paying federally-connected category and 2,235 (1.5%) were in the tuition paying nonfederally connected category. These percentages for tuition paying students have been relatively constant over recent years.

Mr. **Eastman**. One other question. At several of our O&M hearings for the individual service accounts, there has been discussion about the fuel pricing procedure that is used in the Defense Department to purchase and then reimbursement by services to DLA. Has your office done any investigation into whether or not there might be a more efficient system for the purchase and resale, if you will, of fuel within the Defense Department by DLA to the services? Are we doing it the best way and most efficient way possible now?

Mr. **Dube**. How about if I defer that to General Litke when he comes on? I am not sure I understand exactly what element of the system you are referring to, whether you are talking about our pricing methods or actual procurement.

Mr. **Eastman**. Pricing methods, but I will wait until General Litke is up.

Mr. **Dube**. OK.

Mr. **Eastman**. Thank you, Mr. Chairman.

Mr. **Daniel**. Are there any other questions of Mr. Dube?

Thank you very much, sir.

Mr. Reed, we would be pleased to hear from you at this time.

STATEMENT OF WILLIAM H. REED, DIRECTOR, DEFENSE CONTRACT AUDIT AGENCY, ACCOMPANIED BY EDWARD J. MIGLIORE, CHIEF, FINANCIAL MANAGEMENT DIVISION, HEADQUARTERS, DCAA

Mr. **Reed**. Mr. Chairman and members of the committee, I appreciate the opportunity to appear before you and present the Defense Contract Audit Agency's fiscal year 1987 budget request.

I would like to introduce Mr. Ed Migliore, Chief of our Financial Management Division, who is accompanying me today.

Mr. **Daniel**. We are happy to have you with us, sir.

Mr. **Migliore**. Thank you, sir.

Mr. **Reed**. Based on your prior approval, Mr. Chairman, I have a detailed testimony which I would like to submit for the record, and at this time I would like to make some brief comments.

This request which is included under the Appropriation, Operation and Maintenance Defense Agencies, fiscal year 1987, totals $235.1 million. The majority of this amount, or about $198 million, is required for civilian personnel salaries and benefits. The remainder is for travel and other operating costs of a housekeeping type nature.

The Agency's mission, as stated in Department of Defense Directive 5105.36, has not changed since 1965. It is to perform all necessary contract audits for the Department of Defense and provide accounting and financial advisory services regarding contracts and subcontracts to all Department of Defense components responsible for procurement and contract administration.

These audit services are also provided to other Federal agencies on a reimbursable basis at contractor locations where the Department of Defense has the predominate financial contract interest. Audits are also performed for the military departments in connection with the Foreign Military Sales Program. These services essentially result in Defense Contract Audit Agency doing almost all the contract audit work at commercial companies for the Federal Government.

The Defense Contract Audit Agency is basically a professional auditing organization. Eighty-one percent of its 4,641 employees are professional accountants and auditors. Almost all of the audit staff are college graduates, 17 percent having graduate degrees, and 26 percent of the professional staff are Certified Public Accountants or have passed the CPA exam.

The Defense Contract Audit Agency is responsible for two major categories of work. The first category, which demands the highest priority, is price proposal evaluations. Prior increases in Defense appropriations, the recent Federal acquisition regulation change to the price proposal audit threshold, and Defense Department management initiatives designed to increase surveillance over Defense contract expenditures will substantially increase the agency's workload in fiscal year 1986 and beyond.

The second area is the audit of incurred costs. The annual dollar volume of such contracts in the most recent fiscal year totals $65.1 billion and involved some 75,000 contracts. At the beginning of fiscal year 1986 we estimated the unaudited backlog to be $70 billion. Included in these numbers are the dollar value of some 1,800 contractor annual overhead claims which have been submitted to us for audit more than 1 year ago and are still uncompleted. This is expected to increase to $111.2 billion by the end of fiscal year 1987 if additional staffing is not provided.

There are two primary reasons why the incurred cost audit backlog has increased. One has been that audit staffing has not kept pace with the rising Defense Department procurement levels, and the second is the level of effort required to be spent in areas of higher audit priority such as price proposal audits, forward pricing rate reviews, and defective pricing reviews.

While we believe it is a reasonable judgment to apply our limited resources to the highest priority workload in terms of sensitivity and dollar impact, this cannot be continued indefinitely to the detriment of other mission responsibilities.

If incurred cost audits are not done on a reasonably timely basis, the impact to the Government takes several forms. Frequently the contractor's incurred cost experience becomes the basis for projecting future costs on new contracts being negotiated. Additionally, interim billing rates may be overstated, resulting in the contractor being paid for more costs than it is entitled to until such time as the final audits are completed. These late audits also are troublesome to contractors who are unable to get final payments on their contracts until the audit work is completed.

Management's concern of the increasing incurred cost audit backlog resulted in establishing an initiative to get current in fiscal year 1987. The initiative requires that all incurred cost claims received through 31 December 1984, be reviewed by 30 June 1986, and all incurred cost claims received through 31 December 1986, be reviewed by 30 June 1987.

For this reason, we have requested an additional 1,607 positions in fiscal year 1987 to make a concentrated effort to get current and stay current in the audit of incurred costs. As I noted, getting current is an integral part of reviewing contractor price proposal estimates of new contracts and a major deterrent to fraud, waste, and abuse. The requested additional positions will be placed in the field audit offices.

Our fiscal year 1987 budget request of $235.1 million represents an increase of $48.2 million over our estimate for fiscal year 1986. The majority of this amount, or some $46.3 million, is for the additional 1,607 positions. The balance is for minor support cost changes.

If these resources are approved by the committee, experience has shown that the overall cost reductions to the Department of Defense and the taxpayers should far exceed the costs of the additional staff.

During fiscal year 1985 the Agency continued to achieve significant audit productivity results. We examined about 31,000 contractor pricing proposals worth about $253 billion and audited $54 billion of contractor-incurred cost claims. Total cost questioned was about $12.4 billion for a net savings to the taxpayer of about $7.8 billion.

Savings to the Government as a result of contract audit have consistently outweighed the cost of Defense Contract Audit Agency operations. In fiscal year 1985 it cost $180 million to do our work, and the taxpayers saved $7.8 billion through lower procurement costs. The return on a 3-year moving average shows a savings of $46 for each dollar invested in the Defense Contract Audit Agency.

This concludes my statement, and I would be pleased to answer any questions that members of the subcommittee may have.

Prepared Statement of William V. Reed

Mr. Chairman and Members of the Committee, I appreciate the opportunity to appear before you and present the Defense Contract Audit Agency's Fiscal Year 1987 budget request.

This request, which is included under the Appropriation "Operation and Maintenance, Defense Agencies, Fiscal Year 1987," totals $235.1 million. The majority of this amount, or about $198 million, is required for civilian personnel salaries and benefits. The remainder is for travel and other operating costs of a housekeeping type nature.

We are also requesting $8.1 million under the "Procurement, Defense Agencies" account for fiscal year 1987. These funds will provide for the ongoing enhancement of the DCAA Integrated Information System (DIIS).

First, a few words highlighting the Defense Contract Audit Agency organization.

ESTABLISHMENT

The Defense Contract Audit Agency was established on 1 July 1965 by the Secretary of Defense and assigned the responsibility for all Department of Defense contract auditing. Prior to the formation of Defense Contract Audit Agency, the contract audit function was fragmented among the Army Audit Agency, the Auditor General of the Navy, and the Air Force Auditor General's office. Then Secretary of Defense Robert McNamara, in announcing the formation of the Defense Contract Audit Agency, stressed the objectives of uniformity and consistency in contract audit activities and the organizational efficiency of a single component providing a common service. In 20 years since our formation, the Defense Contract Audit Agency has fulfilled those ambitions and more. The Defense Contract Audit Agency is a separate Agency within the Department of Defense under the direction, authority, and control of the Assistant Secretary of Defense (Comptroller).

MISSION

The Agency's mission, as stated in Department of Defense Directive 5105.36, has not changed since 1965. It is to:

> Perform all necessary contract audit for the Department of Defense and provide accounting and financial advisory services regarding contracts and subcontracts to all Department of Defense components responsible for procurement and contract administration . . .

These audit services are also provided to other Federal agencies on a reimbursable basis at contractor locations where the Department of Defense has the predominate financial contract interest. Audits are also performed for the military departments in connection with the Foreign Military Sales Program. These services essentially result in the Defense Contract Audit Agency doing almost all the contract audit work at commercial companies for the Federal government. We estimate that the reimbursable earnings will approximate $20 million in Fiscal Years 1985 and 1986, respectively.

While the scope of the Defense Contract Audit Agency's mission has not changed recently, the amount of responsibility within that mission has grown. Several examples of developments contributing to this growth are:

Cost Accounting Standards Implementation (Public Law 91-379);
Audits for Economy and Efficiency;
Emphasis on Detection of Fraud, Waste, and Abuse;
Compliance with Truth in Negotiations Act (Public Law 87-653);
Lowering of the Required Review Threshold for Price Proposals; and
Determination of Overhead Rates at all Department of Defense Contractor locations.

AGENCY ORGANIZATION

The Agency's Headquarters is located at Cameron Station, Alexandria, Virginia. The Headquarters function is to provide the Agency with audit policy research and formulation, operational guidance and oversight, external liaison, and resource management. Training in auditing methods, technical guidance, and research on audit program applications is provided by the Defense Contract Audit Institute in Memphis, Tennessee.

The Agency's six regional offices (Atlanta, Boston, Chicago, Los Angeles, Philadelphia, and San Francisco) manage 430 field audit offices throughout the continental United States and overseas. About half of these offices are located in large metropolitan areas, and the other half are located in the plants of the larger defense contractors.

The Defense Contract Audit Agency is basically a professional auditing agency; 81 percent of its 4,641 employees are professional accountants and auditors. Almost all of the audit staff are college graduates, 17 percent have graduate degrees, and 26 percent of the professional staff are Certified Public Accountants or have passed the CPA exam. The Defense Contract Audit Agency also employs a staff of about 282 administrative support personnel Agency-wide (personnel specialists, computer specialists, and budget analysts). The auditing and administrative effort worldwide is supported by approximately 588 clerical personnel engaged principally in preparing and tracking audit reports.

MAJOR WORKLOAD CATEGORIES AND TRENDS

To further clarify the Agency's Fiscal Year 1987 Operational and Maintenance budget request, let me explain the major workload categories and trends.

1. Proposal evaluations

In the course of buying the thousands of items needed for national defense, Government contracting officers frequently require a detailed cost proposal to negotiate a reasonable price. Prudent business practice dictates that the proposal be audited against the contractor's records of current and/or past production costs, the contractor's basis for estimating costs of the contract, and the Federal Acquisition Regulation. Called proposal evaluation, this type of audit is one of the primary functions of the Defense Contract Audit Agency. The auditor submits to the contracting officer a written report for use in negotiating the contract price and, upon request, attends the negotiation. The Defense Contract Audit Agency last year examined in excess of 31,000 proposals with a total dollar value of more then $253 billion.

Prior increases in defense appropriations, the recent Federal Acquisition Regulation change to the price proposal audit threshold, and Defense Department management initiatives designed to increase surveillance over defense contract expenditures will substantially increase the Agency's workload in Fiscal Year 1986 and beyond.

2. Incurred costs

Many contracts awarded by Department of Defense and other agencies require audits of actual costs incurred and billed to the Government. These audits are generally performed on an annual cycle and encompass the contractor's entire incurred cost business activity during that period. The audits become the basis of establishing final indirect overhead rates and ultimately closing out the contracts when all work is completed. Objectives are to ensure that billed costs are allowable, allocable, and reasonable under existing regulations and the terms of the contracts.

The annual dollar volume of such contracts in the most recent fiscal year totaled $65.1 billion and involved some 75,000 contracts. At the beginning of Fiscal Year 1986 we estimated the unaudited backlog to be $70 billion. Included in these numbers are the dollar value of some 1,800 contractor annual overhead claims which have been submitted to us for audit more than a year ago and are still uncompleted. This is expected to increase to $111.2 billion by the end of Fiscal Year 1987 if additional staffing is not provided.

There are two primary reasons why the incurred cost audit backlog has increased. One has been that audit staffing has not kept pace with the rising Defense Department procurement levels; and the second is the level of effort required to be spent in areas of higher audit priority such as price proposal audits, forward pricing rate reviews, and defective pricing reviews.

While we believe it is a reasonable judgment to apply our limited resources to the highest priority workload in terms of sensitivity and dollar impact, this can not be continued indefinitely to the detriment of other mission responsibilities. If incurred cost audits are not done on a reasonably timely basis, the impact to the Government takes several forms. Frequently the contractor's incurred cost experience becomes the basis for projecting future costs on new contracts being negotiated. Additionally interim billing rates may be overstated resulting in the contractor being paid for more costs than it is entitled to until such time as the final audits are completed. These late audits also are troublesome to contractors who are unable to get final payments on their contracts until the audit work is completed.

Management's concern of the increasing incurred cost audit backlog resulted in establishing an initiative to get current in Fiscal Year 1987. The initiative requires that (a) all incurred cost claims received through 31 December 1984 be reviewed by 30 June 1986, and (b) all incurred cost claims received through 31 December 1986 be reviewed by 30 June 1987. For this reason, we have requested an additional 1,607 positions in Fiscal Year 1987 to make a concentrated effort to get current, and stay current, in the audit of incurred costs. As I noted, getting current is an integral part of reviewing contractor price proposal estimates of new contracts and a major deterrent to fraud, waste, and abuse. The requested additional positions will be placed in the field audit offices.

We estimate that 1,548 workyears of additional effort are necessary to accomplish this objective without affecting the accomplishment of other higher priority work. Some of this effort was to be accomplished within existing staffing levels through the use of overtime. As a result of the Balanced Budget and Emergency Deficit Control Act of 1985, we will not be able to make significant progress on this work this year. Continued shortfalls in resources will translate to diminished audit quality from limiting the scope of our audit reviews, and/or continued growth of the incurred cost audit backlog.

If these resources are approved by the Committee, experience has shown that the overall cost reductions to the Department of Defense and the taxpayers should far exceed the costs of the additional staff.

3. Other direct effort

Other direct effort is all other effort associated with attendance at negotiations, interface with the General Accounting Office, support to the Department of Defense Inspector general, fraud referrals and support to investigative organizations and the Justice Department, and special projects and studies.

STAFFING

The Agency's authorized staffing at the time of our establishment in 1965 was about 3,600 personnel. This staffing level has remained relatively constant over the years, until the recent past when we were authorized staffing increases that resulted in our current authorized staffing level of 4,854 for Fiscal Year 1986.

FISCAL YEAR 1987 BUDGET SUMMARY

Our fiscal year 1987 budget request of $235.1 million represents an increase of $48.2 million over our estimate for fiscal year 1986. The majority of this amount, or some $46.3 million, is for the additional 1,607 positions. The balance is for minor support cost changes.

NET SAVINGS

Savings to the Government, as a result of contract audit, have consistently outweighed the cost of the Defense Contract Audit Agency operations. In fiscal year 1985 it cost $180 million to do our work, and the taxpayers saved $7.8 billion through lower procurement costs. The return, on a 3-year moving average, shows a savings of $46 for each dollar invested in the Defense Contract Audit Agency.

The Defense Contract Audit Agency savings versus cost of operation for the most recent three fiscal years completed are shown below:

	Fiscal year—		
	1983	1984	1985
Savings (billions)	$6.8	$7.5	$7.8
Operating Costs (millions)	141	158	180
Savings per dollar of operating costs	48.23	47.47	43.33

CONCLUSION

This concludes my statement. I will be pleased to answer any questions that you and members of your committee may have.

Mr. DANIEL. Thank you, Mr. Reed.

Mr. Hutto.

Mr. HUTTO. Mr. Reed, could you explain the "Buy American" provision in the Defense contracts?

Mr. REED. I will attempt to give you a right-off-the-top-of-my-head answer to that, and then I would plead for an opportunity, perhaps, to give you a fuller explanation later.

I would like to perhaps use air fares as an example. As I understand it, the contractual provisions would require that anyone traveling on official Government business, or traveling with the cost being reimbursed under a Government contract containing these provisions, would be required to use a U.S. carrier in departing the United States. Once that traveler arrived overseas, however, to points of travel overseas, he could use a foreign air carrier, I believe.

Mr. HUTTO. OK. Let me ask you this: Has the "Buy American" provision been prescribed by law, or is that an administrative agency rule? I have a parochial interest that I would like cleared up so I will understand the man's problem a little better.

This relates to a military construction project, and it is a subcontractor. He was forced to remove about 2,500 dollars' worth of, I think, it was thermostats or something like that on a project not even in my State. It was Swiss made, and there was some kind of an agreement between the Swiss Government and the United States Government, and I still have not learned about that, but he was told by the Corps of Engineers that there is a "Buy American" provision and it has to be American made, and I was just wondering if you could enlighten me a little bit about that.

Mr. REED. As far as the implementation within a contract, it is based on the Federal acquisition regulations which specify that the "Buy American" provisions must be included in certain types of contracts, and I believe that is a legislative requirement.

Mr. HUTTO. OK. Thank you.

Let me ask you about allowable costs. That has been a matter of great concern to the Congress and everybody else. The Allowable Cost Reform Act gave DCAA subpoena authority. How many times has this authority been used and under what conditions?

Mr. REED. The authority has been used in only one instance to date, and that was to subpoena internal audit records. That action was successful, the company did deliver the records as subpoenaed.

Mr. HUTTO. Is this going to be helpful to you?

Mr. REED. It is going to be very helpful because what we are seeing is an immediate impact. There were several other access to records problems existing at the time that we received the authority. The degree of cooperation that we are receiving from contractors in resolving those access problems, short of this subpoena, has been considerably better since we have the authority.

So the deterrent effect of the subpoena may be the greater value.

Mr. HUTTO. This act made about 10 costs unallowable. Also, the act attempts to remove the burden of proof from the Government and place it on the company, subject to audit. How will the Allowable Costs Reform Act affect your overall workload?

Mr. REED. We believe that these actions will be very helpful to us in getting contractors to do a better job of screening their own costs rather than depending on our auditors to go in and, "Find it if you can."

It is a little too early yet to see if it is going to be effective in that regard, but it is certainly a very positive step in that direction.

Mr. HUTTO. Since we are talking about the Allowable Costs Reform Act, we hear sometimes that additional reforms are needed. Are there any other areas that you believe need congressional attention as far as your agency is concerned?

Mr. REED. We have a number of issues. However, I believe at this time most of those issues are the type that are being worked through the internal agency processes. Nothing comes to mind immediately, but I certainly appreciate your offer of assistance.

Mr. HUTTO. How much of your time is spent on preaward audits? Are all of these audits that you do necessary?

Mr. REED. They are all required audits. The Federal acquisition regulations require that any price proposal over $100,000 be supported by cost and pricing data and that there be an audit. That effort encompasses about 45 percent of our total audit effort.

Mr. HUTTO. Thank you.

What is your personnel turnover rate for the professional staff, and is this becoming a serious problem as industry recruits more of your people?

Mr. REED. The turnover rate has averaged around 10 percent for several years, and while recently it does seem like we have had more instances of our employees leaving, nonetheless, the overall rate still seems to be hovering around 10 percent and is not a major problem at this time.

Mr. HUTTO. DCAA has a very large unaudited backlog. Your testimony fixes the backlog at about $70 billion and covers about 1,800 contractors. How much of this backlog is made up of audits on contracts of large companies versus small companies? Also, how do you determine audit priority?

Mr. REED. I do not have the exact dollar breakdown, but in terms of the 1,800 overhead claims that I mentioned that were more than a year overdue, 1,500 of those are contractors with less than $40 million a year of auditable Government contracts, and the balance are contractors exceeding the $40 million level. So it is about 1,500 and about 300 in approximate numbers.

Mr. HUTTO. OK.

Mr. REED. If you would like the dollar numbers, I could provide that.

Mr. HUTTO. OK.

[The following information was received for the record:]

ANALYSIS OF BEGINNING FISCAL YEAR 1986 INCURRED COST AUDIT BACKLOG NON-MAJOR VERSUS MAJOR

Number of claims	Contractors with less than $40 million of auditable Government contracts	Contractors with more than $40 million of auditable Government contracts
1,500	$21.3 billion	—
300	—	$48.7 billion

Mr. HUTTO. My final question, on the priority, do you go to the big ones first, or is there any priority there?

Mr. REED. Yes, sir; there is. As I mentioned in the statement, our first priority of course is price proposals, because those have to be accomplished in order to keep the new contract awards moving and get the work under contract.

In the incurred cost area, we have our staff apportioned between the larger contractors, located right at their plants, serving full time in auditing the larger contractors' costs. The smaller contractors are covered by what is known as a branch office which covers all small contractors in a geographic area.

So in that sense there is some continuing effort on all levels of work. However, it would be accurate to say that the larger dollar claims get the most attention.

Mr. DANIEL. Would the gentleman yield at that point?

Mr. HUTTO. Yes.

Mr. DANIEL. You mentioned, or Mr. Hutto mentioned, that your current backlog of audited accounts is $70 billion.

Mr. REED. Yes, sir.

Mr. DANIEL. And you indicate that if you are not given these additional people that figure will go to $111.2 billion. If you get the people that you are asking for, what will the unaudited amounts be by 1988?

Mr. REED. We are estimating that we can knock that $111 billion down to $58 billion by the end of 1987, and that is a pretty optimistic number at this point, because I would like to point out that there was a two-step initiative to get current. In fiscal year 1986 we planned a major effort in starting the audits, in addition, we have been funded for approximately $6 million of overtime, and we were going to get our existing staff working overtime just eating away at this backlog number.

Unfortunately, that effort has fallen victim to the Deficit Reduction Act, and we will probably not be able to get that jump in 1986 that we were anticipating. That is going to put more pressure on us to get to that $58 billion in 1987 if these spaces are provided.

Mr. DANIEL. We often get complaints from industry about a multiplicity of audits. How do you coordinate with other audit agencies? Do you believe that there are too many audits being done now by too many agencies, or what is your feeling about that?

Mr. REED. No, sir; I do not believe there is duplication by audit agencies. The inspector general recently issued a report looking into allegations by two contractors regarding this very area. He found that there was considerable confusion on the part of contractors about what Government representative was an auditor versus a Government representative from a program office, or was there on a quality control function, or perhaps an equal opportunity compliance visit.

There is a tendency for contractors to view any Government representative who walks into their plant, and takes up their time as an auditor.

However, the inspector general also concluded that there were some coordination problems between auditors and contract administration activities, people performing business systems types of reviews vis-a-vis the auditors looking at the costs of those systems. We are working closely right now with the services' administration offices to do a better job of coordinating our review of costs with their review of the business systems procedures.

Mr. DANIEL. I think that is very important, because in a situation as large and complex as this is, there is bound to be some overlapping. So I hope that you will give some very close attention to that in the years ahead and, if there is some, see if we cannot eliminate it.

Mr. REED. We certainly will, sir.

Mr. DANIEL. Mr. Ray, do you have any questions on this particular point?

Mr. RAY. Just some comments. Shall I go ahead?

Mr. DANIEL. Yes, please, just on this point.

Would you yield to Mr. Cofer?

Do you have any on this particular point, Mr. Cofer?

Mr. COFER. The only question I have is a followup, Mr. Chairman.

I noticed that when we went with your staff on the audit of allowable costs of the seven or eight major defense contractors, at the same time that we were entering you had your people there, and the GAO was also starting a review of that.

In many instances the overall objective that we were doing here in Congress, what the DCAA was doing with much greater detail than we were, and the GAO. Are too many auditors really going over the same kind of area? More specifically, how do you integrate your audit effort with the GAO? Is there a liaison? If there is an overlap, do you work it out between you?

Mr. REED. Yes, we do. We have some procedural requirements that our regional directors maintain normal liaison activity with the regional offices of the GAO. In addition, at our headquarters here we frequently meet with the GAO representatives to coordinate our activities.

Mr. COFER. Have there been any examples where one or the other has, say, given way to the other, or have you consolidated, or have you changed audit objectives?

Mr. REED. Yes; on several occasions in the defective pricing area the GAO has indicated a desire to do certain work, and when we pointed out to them that we would be doing that audit work as part of our normal program activity at a particular contractor they have given way to that, unless they had some particular special type of request that they thought it would be best if they did that work themselves, and we would give way to them.

Mr. COFER. That is all, Mr. Chairman.

Mr. DANIEL. Thank you, Mr. Ray, for yielding.

Mr. RAY. Thank you, Mr. Chairman.

Mr. Reed, just one question on how your office relates to the various branches of service. For instance, the Air Force, would they go in and perform an audit that you would just double check, or do you go in and perform that audit in lieu of the Air Force?

Mr. REED. We are the only authorized contract audit agency in the Department of Defense. We are the only ones authorized to look at contractor financial records.

The services' audit organizations are strictly for internal audits of their particular organizations.

Mr. RAY. No chance that it might be helpful to have them do some of the preliminary work for you? Would that create a problem for you?

Mr. REED. Yes; it creates operational problems. As you know, we are an independent audit organization, in the wisdom of the Congress and others, I think, because of the control functions that that gives to the acquisition process. I believe if the service audit organizations would begin to do some type of contract auditing we would be back with the concerns that existed several years ago before DCAA was formed regarding their independence vis-a-vis the program concerns.

Mr. RAY. I am told that in times of budget crunch and cuts that the auditing groups sometimes are the first to get hit hard. Do you see that to be true? In my opinion, they ought not to be hit at all. That is when you really need close accounting and auditing. Is that correct?

Mr. REED. For the last several years we have received excellent support, notwithstanding what might be going on elsewhere in the budget. However, under the Deficit Reduction Act, of course, there was no flexibility to give us relief there.

Mr. RAY. Thank you, sir.

Mr. DANIEL. Mr. Reed, I have one final question.

You know, Members of Congress hold the world's most temporary jobs. So I do not have any hesitancy in asking this question although it is a bit sensitive.

H.R. 4068 would abolish the Defense Logistics Agency and the Defense Contract Audit Agency and transfer their functions to the military departments and also prohibit any increase in the civilian personnel authorization in the military departments in order to carry out the transfer of these functions.

Do the military departments have the required number of experienced civilian personnel to assume the contract audit function which they would be required to assume, and could the military departments assume the audit responsibilities of the DCAA without an increase in civilian personnel levels?

Mr. REED. The service organizations do not have the capability to do contract auditing. It is a specialized field. Our auditors are all trained in our own facilities to do this type of specialized work. The military departments' internal audit organizations could not absorb the workload of the Defense Contract Audit Agency even if they were trained with the existing staff; it is just insufficient.

Mr. DANIEL. The Chair would request that you expand on your answer for the record.

Mr. REED. Yes, sir, I would be happy to.

[The following information was received for the record:]

DCAA DISESTABLISHMENT

H.R. 4068 would abolish the Defense Logistics Agency and the Defense Contract Audit Agency and transfer their functions to the military departments.

This bill would effect a return to the organizational arrangement that existed prior to 1 July 1965, when each military department and the Defense Supply Agency maintained its own audit organization for contract auditing purposes. The pre-1965 organizational arrangement gave rise to several professional studies during the late 50's and early 60's aimed at maximizing the economy and effectiveness of contract audit activities within the Defense Department. As early as 1958, a group of public accountants composed of the principles from three large national firms, in their capacity as consultants to then Assistant Secretary of Defense, Comptroller, recommended the establishment of a consolidated Department of Defense, contract audit agency. Later in 1963, Booze, Allen and Hamilton, Inc., as a subcontractor to the Logistics Management Institute, submitted preliminary recommendations on consolidating the contract audit function. This was accomplished as part of "Project 60," which was a top level procurement study to examine the feasibility of centrally managing those field activities concerned with contract administration. Logistics Management Institute endorsed the Booze, Allen & Hamilton, report. In December 1963 the Defense Industry Advisory Council issued a study group report on the review of "Project 60" and recommended the contract audit function be consolidated into one. A subsequent contract audit task force delineated several specific recommendations on the responsibilities of the contract audit function. On 12 December 1964 then Secretary of Defense McNamara announced the consolidation of contract audit activities which paved the way for the establishment of the Defense Contract Audit Agency, in June 1965.

The advantages of consolidating the contract audit function into a separate agency, independent of the procurement function, was widely recognized by the study groups. The importance and need for a separate independent organizational structure was reaffirmed in House Committee Report 1132 dated 28 February 1968. Some of these advantages are as follows:

Provided uniformity in organizational structure, policy direction, resource utilization, career development and training, functional alignment, and responsiveness to procurement and contract administration agencies.

Resulted in providing independent, objective, and consistency in cost recommendations and related audit advice to procurement personnel.

Eliminated the switching of audit responsibility (and the attendant administrative problems and work disruptions) for individual contractor locations from one audit organization to another as the preponderance of a contractor's work shifted from one military department to another.

An effective arrangement under which Defense contractors deal with a single Department of Defense audit agency.

Simplification in obtaining Defense audit services by non Department of Defense Government agencies.

Manpower savings resulted from the elimination of multiple administrative and management organizations.

Testimony has been given before the House Armed Services Subcommittee that the Defense Contract Audit Agency started with 166 employees. That statement is factually incorrect.

In accomplishing the consolidation and the formation of the Defense Contract Audit Agency, approximately 3,431 employees, including 2,830 auditors, were transferred from the Army, Navy, and Air Force contract audit activities to the Defense Contract Audit Agency. The only personnel remaining were those whose functions would involve the internal audit of their own agency operations. The contract audit function and the personnel whose functions would entail the audit of contractor activities was transferred to the Defense Contract Audit Agency.

In addition to the personnel, an approximate workload of $25 billion in proposal activity and $20 billion in contractor historical costs to be examined was transferred. Since 1965, these workload indicators have risen to approximately $253 billion in proposal activity and $54 billion in contractor historical costs examined during FY 1985. This increase in workload has been accompanied by a relatively low increase in personnel strength to 4,854, including 3,782 auditors. While workload has more than quadrupled, staffing has increased only about 35 percent. And this increase reflects a tremendous savings to the Government. For example, in FY 1985 the Defense Contract Audit Agency auditors achieved total savings for the Government of $7.8 billion. When compared with an agency operating cost of $180 million, this represents a $43 return for every $1 spent.

The question was asked as to whether the military departments have the qualified personnel to assume the contract audit functions which they would be required to assume under H.R. 4068, and whether they could assume the audit responsibilities of the Defense Contract Audit Agency without any increase in their personnel levels.

Let me address the question dealing with whether the military department have the necessary qualified personnel to assume Defense Contract Audit Agency's responsibilities. There is not an organization that exists in either the Government or private industry with the experience, knowledge, and expertise that the Defense Contract Audit Agency personnel have. Almost all of our auditors are college degreed accounting majors.

Approximately 97 percent of the auditor staff have bachelor degrees and of this group, approximately 18 percent have advanced degrees and 27 percent have passed the Certified Public Accountant examination. This compares favorably with Certified Public Accounting firms which are approximately 56 percent certified. It should also be noted that 53 percent of our managerial staff have passed the Certified Public Accountant examination. In addition, Defense Contract Audit Agency auditors are provided highly specialized training in contract cost accounting, operations auditing, automated data processing methods, scientific sampling techniques, learning curve studies and other related highly sophisticated auditing techniques at our Defense Contract Audit Institute in Memphis, Tennessee. In fact, the Defense Contract Audit Agency has been a pioneer in the field of advanced computerized auditing techniques to shorten the work of audit sampling and computational analyses. The Defense Contract Audit Institute trains new employees and all auditors not already experienced in the specialized field of defense contract auditing and constitutes a unique resource for the training of Government personnel in the audit field. Just recently the DoD Inspector General studied our training facility for the purpose of establishing a similarly structured capability for their internal audit function. In addition, members of the Blue Ribbon Defense American Institute of Certified Public Accountants Advisory Subcommittee tasked to review contract and internal auditing in DoD visited the Institute. They commended the courses, personnel, and physical facilities and their final report to the Blue Ribbon Panel stated their satisfaction with the Institute's staffing and operation. These capabilities are unique to the Defense Contract Audit Agency and to the best of our knowledge are not available in any of the military departments.

In addition to the above qualifications, the Defense Contract Audit Agency auditor has a good knowledge of Generally Accepted Accounting Principles, Generally Accepted Auditing Standards, Governmental Cost Accounting Standards, Federal Acquisition Regulations, Department of Defense Regulations and Legislative requirements. Auditors must be thoroughly knowledgeable in these areas to determine allowability, allocability, and reasonableness of Government contract costs. In my opinion, the military services do not have the qualified personnel to assume the contract audit responsibilities.

The statement has also been made in Congress that the military services are currently performing the same function that the Defense Contract Audit Agency performs. That is not true. No one in the military services is doing the tasks mentioned in the preceding paragraph.

Not to be overlooked in any contemplated merger of audit activities into the military departments is the all important consideration that the contract audit function should be independent and separate from the procurement function. This posture is the one consistent and increasingly important principle prevalent throughout the history of contract audit.

The Defense Contract Audit Agency serves a distinctive dual role that needs to be preserved. It serves as a key advisor to contracting officers and also as a vital internal control in the acquisition process. Contract auditors provide financial advice on proposed contracts and opinions on cost statements submitted by contractors. By being organizationally independent of the acquisition officials, an environment is preserved assuring no influence of the contracting officer upon the audit evaluation. On the other hand, this crucial balance would be compromised if this function were transferred to the military departments. Assuming this function were transferred to the military departments, there would obviously be the appearance of a loss of independence since the personnel auditing the price proposals would be under the organizational control and authority of those negotiating and awarding contracts. Defense Contract Audit Agency's independence and advisory role on the Government pricing team assures an objectivity and impartiality that would not be possible in my opinion, if this function were to be performed by acquisition personnel. In fact, I believe such a transfer of function would directly violate the spirit and intent of various Presidential initiatives to improve Agency procurement practices. If anything, we should be striving for greater objectivity in the acquisition process, not less. A return to the pre-1965 status, would reflect a total disregard of these valued achievements.

With regard to whether the military services could assume the contract audit responsibility without an increase in authorized personnel, I would say no. It is doubtful that the military services have a sufficient number of qualified personnel to take on the responsibility now being handled by 3,782 trained and experienced Defense Contract Audit Agency auditors. In my opinion, when and if, the contract audit responsibility is transferred to the military services, increased staffing would be required.

Mr. DANIEL. Does staff have any questions for Mr. Reed?

Thank you very much, sir. Again, I want to thank you for the help you gave us last year.

Mr. REED. My pleasure, sir. Thank you.

Mr. DANIEL. General Litke, we would be pleased to hear from you at this time, sir.

While the general is being prepared, Mr. Shycoff, it is good to have you with us again.

Mr. SHYCOFF. My pleasure, sir.

Mr. DANIEL. General.

STATEMENT OF MAJ. GEN. DONALD P. LITKE, DEPUTY DIRECTOR, DEFENSE LOGISTICS AGENCY, ACCOMPANIED BY WILLIAM CASSELL, COMPTROLLER; AND DONALD SHYCOFF, DEPUTY COMPTROLLER

General LITKE. Mr. Chairman, as mentioned, I am Maj. Gen. Donald Litke, the Deputy Director of DLA, and it is a real pleasure to appear before you for my first time to present the DLA O&M budget of $1.88 billion.

You have noted that Don Shycoff is with me, as is his boss, Bill Cassell, our comptroller.

Mr. DANIEL. It is nice to have you, sir.

Mr. CASSELL. Thank you, sir.

General LITKE. You mentioned earlier in your opening comments and again just recently that there are several proposals that would change the organizational structure of the Office of the Secretary of Defense to include the Defense Logistics Agency. You also noted that some of those proposals would, in fact, abolish the Agency, with the functions and responsibilities that we currently have being returned to the services without the benefit of additional personnel to do that. And, finally, you mentioned that those, like yourselves and this committee, who are in the position of having to make judgments on those proposals need to do so from as informed a basis as possible.

With your permission, sir, I will merely insert my prepared statement for the record and, rather, talk from a series of charts that tries to describe who we are, what we do, what impact we have on the readiness of the services, and what forms the basis for the appropriation request that I will be asking for at the end of my presentation.

Mr. DANIEL. Please proceed.

General LITKE. Can you see the charts all right, sir?

Mr. DANIEL. Yes.

General LITKE. Basically, we perform these three functions. The supply support function is much broader than the name would imply, including determination of requirements, acquisition of material, storage of material, and ultimate distribution on a worldwide basis.

The contract administration services are not only for ourselves but for the entire Department of Defense, as are the technical and logistic services.

There are those who believe that DLA is a large policymaking organization located here in Washington. Nothing could be further from the truth. This chart indicates essentially how we are organized.

We have six supply centers who are functionally oriented: electronics in Dayton, OH; industrial products that work mostly with weapons systems-related items in Philadelphia; construction and automotive items in Columbus, OH; general categories in Richmond, VA; the personnel support center in Philadelphia that handles all of the clothing and textiles, medical, and subsistence items of the entire Department of Defense; and our fuel support center here in Washington.

Likewise, we have depots that store the 2.4 million items that are in our system. They store about 91 percent of our total items in these six depots, ranging from Pennsylvania to California.

We also have four specialized services centers which, in the case of this organization, perform cataloguing services. These handle the reutilization and marketing activities worldwide including hazardous waste disposal and precious metals recovery. We have an industrial plant equipment center that handles our industrial preparedness equipment across the entire Department, and we have a technical information center that is a repository of technical data.

In contract administration we have nine regions in these major metropolitan areas across the United States that perform those functions.

In total, there are 46,000 of our people involved in these hands-on sorts of activities on a worldwide basis, every State in the Union and 24 foreign countries.

Looking in a little more depth on each of those functional areas and beginning with the supply centers, they start by determining what it is the services need and what we need to buy for them.

Based on past demand patterns and Service requests, they generate the requests that will ultimately become procurements, they process the requisitions for those items once they are in the system, and then control the stock throughout the worldwide distribution once it is in the system.

Once these purchase requests are generated, they go to our contracting people, and they are the folks who actually buy the material that DLA buys; last year, 1,400,000 individual contractual actions. They manage the contractual activity throughout the life cycle of that contract and also plan for industrial mobilization.

Supporting both of those functions are technical operations people who handle the cataloging and technical data that support each of the items that are in our system, run the parts control program that tries to reduce the numbers of new parts that come into our system. By substituting existing parts into new weapons systems, and who are also responsible for the value engineering program that lends itself toward increased competition and reduced costs of new acquisitions.

To put that again into some perspective, there are 4.5 million items in the total DOD inventory. We, DLA, manage 2.5 million of those, or about 56 percent.

Looking at it another way, that chart showed both reparable items, those that are repaired and are retained by the service, and consumable items.

Looking at just the consumables, because that is our area of concern and expertise, we manage 65 percent of the total Department of Defense consumable items.

Even more significantly, I think if we looked at those items that are used by the individual services, since some consumable items, in fact, about a third of the consumable items, are used by more than one service, this line will total to more than the 4.5 million that I showed on a previous chart.

For example, looking at the Army, which uses about 1 million items, we, DLA, manage about 60 percent of those items. The Army manages about 30 percent of the items they use for themselves, and other services and the GSA manage the remainder. The Navy, using over 2 million items, is by far our largest customer.

Those centers last year made stock fund sales of $13.5 billion, the largest of course being in fuel, with $5.9 billion going to support the services and other Federal agencies, $1.2 billion into the Strategic Petroleum Reserve. The $3.1 billion shown as other commodities is largely the spare parts that go to support the services' weapon systems.

We are extremely pleased with our competition record, and, as a result of emphasis placed on us by the Congress and others we have made significant gains.

Last year, of the 1.4 million contractual actions accomplished by this agency amounting to $15.2 billion, 80 percent of the actions and 90 percent of the dollars were awarded competitively. That number is distorted because of the large dollars involved with fuel and the fact that fuel is awarded about 99 percent competitively. So if you remove that, we still have 77 percent of the actions and nearly 72 percent of the dollars awarded competitively. That is an increase of about 20 percent in terms of actions and 5 percent in terms of dollars from the previous year.

The ultimate test of how our supply centers are doing is how we support our customers, the services, because that is the only reason we are in business, to provide parts and services to our customers to support their weapons system.

In 1985, 89 percent of the time that a service asked for a part or a bit and piece or some item, we were able to respond within MILSTRIP time frames for that item. Unfortunately, the bad news is that that number is down about 4 percent in the last couple of years for a host of reasons.

One, as demands are increasing from the services, we are at the same time faced with pressures on us from things like the Competition in Contracting Act and other pieces of legislation and regulatory guidance that have caused us to extend our procurement lead time for additional synopsis in the Commerce Business Daily and extensions of the bid opening times.

We also have imposed on ourselves additional reviews of the items to make sure our people know what they are buying and to make sure they are buying it reasonably. So some of this is self-imposed.

To accommodate these changes we have had to add about 20 percent to our procurement workforce, and they, by and large, are untrained, and thus that also stretches out our time.

It is interesting to note that well over half of our procurement workforce has less than 3 years of hands-on procurement training, which is a major challenge for those of us in this agency.

Having said that across the board we have averaged about 89 percent supply availability, the services have identified to us 900 weapons systems that they would like managed with greater intensity because of their significance to combat capability. We have identified the items within our inventory that support those systems, and we collectively support all of the weapon systems at the average of above 91 percent.

These are some examples from each of the four services where we are doing intensified management and are doing better than the norm.

Turning to supply depot operations, the six depots are the recipients of most of the materials the supply centers buy. Last year they shipped and received over 20 million line items, again, with an ontime performance of 96 percent. This means that when the requisition came in we were able to fill it within the prescribed time frames 96 percent of the time, and when we went to our bins to find that item 99.3 percent of the time the right item was there. We have about 7,000 people across our entire spectrum working that particular issue.

I mentioned the four support and technical centers. Our Defense Property Disposal Service in Battle Creek, MI, has the responsibility for worldwide utilization, donation, sale, and ultimate disposal of all excess properties. Last year that amounted to about $5.5 billion; $1.9 billion of that was, in fact, reutilized or donated, the bulk of the remainder going to sale, with the proceeds from those sales being returned to the Treasury.

These folks also have the responsibility, as mentioned before, for the Hazardous Waste Program for the entire Department.

Our Defense Logistics Service Center in Battle Creek has not only the DOD items but all Federal items for cataloging and item description, and they have maintained those documents up to date and provide all the requisite technical data that is used ultimately for procurement of those items across the Federal Government.

Our Technical Center here in Washington is a repository of scientific and technical data that is used not only by the Government but by Government contractors. Last year they issued over 350,000 technical reports to the R&D community, and the cost avoidances from the use of those reports well exceeded the cost of that operation.

Likewise, we have an Industrial Preparedness Equipment Center maintaining an inventory of over 16,000 pieces of large industrial equipment, much of it located in contractors' plants, some of it in our own storage facilities. They are responsible for maintaining, updating, and making it available in lieu of other procurement. Last year we issued to the services $75 million worth of refurbished equipment, most of it World War II vintage. This equipment offset the requirements for new procurement. We have an aggregate of about 5,500 people involved in all of those technical activities.

Turning to our last major function, that of contract administration, we typically manage about 450,000 contracts, and that number changes a little because it is a moving target as contracts open and contracts close.

The face value at the moment of our contractual inventory is about $220 billion, and last year through our contract administration regions we paid $44.6 billion to contractors. That is in addition to the $12 billion paid by our supply centers to their contractors.

We, at any one time, are involved with about 27,000 contractors and at one time or another have a physical presence in all of their plants. We have a work force of about 17,500 people to perform that function for the Department.

Looking at that $220 billion, we are our own customer for some of the contracts that we generate through our supply centers, but again our largest customer is the Navy with $84 billion worth of contracts currently under our cognizance.

With that as a background, sir, I would like to turn briefly to our appropriations request, looking first at our O&M request. I will talk about that in some detail in the next couple of charts. As was mentioned earlier, our request appears to be down, but again it is because of the reduction of the hazardous waste account, environmental restoration account, out of our O&M request.

Our procurement defense agency account is up slightly, about $45 million. That is primarily to accommodate requirements for additional automatic data processing equipment to help update some of our extremely obsolescent equipment that we use to manage those millions of items.

Our military construction request is also up for essentially the same sorts of reasons. A large portion of that is for environmental control facilities for hazardous waste and for refurbishment and update of some of our older facilities.

The research and development test and evaluation account is up and primarily in the area of manufacturing technology, where we are attempting to use some money to help ourselves and industry do things better, particularly in terms of packaging of war material, foods, and rations.

The stock fund shows an increase primarily as a result of $46.7 million worth of war reserve fuel being included in that. With that factored out, the material augmentation dollars remain about the same as they were last year in that about 75 percent of those material augmentation dollars are used for provisioning of new items that are coming into the system via service acquisitions. All of this translates to an increase of 1,104 work years for O&M. I will describe in one chart how we arrive at that number.

We were asked to talk about the impact of the Gramm-Rudman reductions on our 1986 program. Our O&M account is about 80 percent pay of people and because, as I hope you have seen from our previous chart, our people are pretty well gainfully employed, we have elected, rather than attempting to make massive reductions in people which would translate into degradation of support to the Services, to take it out of the other accounts. The reductions in ADP and communications again will slow the efforts that we have under way to attempt to modernize and bring ourselves up to the state of art in terms of ADP activity.

Our real property maintenance is going to be one of those "Pay me now or pay me later" situations. An awful lot of our people are working in facilities that were built in World War I or World War II, a few Korean war vintage. We have people in open bays of converted warehouses doing very important sorts of things, and we have money in the budget to try to enhance the quality of life and thus the retention and productivity of those people. We have obviously had to defer a substantial portion of that as a result of Gramm-Rudman, along with the same thing in equipment and furniture—our attempts to bring the personal computer to the desk, to network those computers together, and to use modular and systems furniture to provide a place for our people to work. We have had to defer an aggregate of $83.4 million of those sorts of things from our 1986 program.

Using that sequestered 1986 program then as a basis, we arrive at our 1987 program by the addition of the nonlabor inflation, and nearly $15 million again to accommodate our increased requirements of training.

We have essentially saturated DOD's capability to train in the skills that we possess, and we are having to contract for a substantial amount of that training, which is turning out to be a very productive way of doing that. Our labor increase is for those 1,104 work years that, again, I will show on a subsequent chart.

We mentioned the reduction of the Environmental Restoration Account. ADP and Communications, again, is an attempt to try to work that continuing problem; for Real Property Maintenance, several projects in there are to enhance and refurbish our older facilities. That leaves us with the bottom line of $1.8829 billion.

I mentioned work years. We experienced last year about a 5-percent increase in the workload. Thus far in 1986 we are seeing the same sort of experience, and we have extrapolated that into 1987, which accounts for 1,757 additional work years. We have imposed on ourselves a 3-percent productivity improvement, as we did last year, and that nets out to over 1,000 spaces.

We are asking for additional work years for contracting initiatives, again primarily in the area of increased competition and price reasonableness, and the training to accommodate those same initiatives, and that amounts then to our total increased request of 1,104 work years.

Sir, with that, I hope it gives you some sort of feel for what it is and what we are doing. This chart merely synopsizes some of the key impacts that we have on the readiness of our forces, and I would like to close with one chart that hopefully puts our activity in some sort of perspective.

We have had a continuing and increasing workload. Since 1975, our workload has increased about 50 percent. That is a composite that talks about numbers of requisitions, numbers of shipments, numbers of contractual actions, number of quality of performance checks, everything that we do, weighted into this line that shows that continued increase.

The green line shows the work years that we actually used to accomplish that work, and you will see that although over this 11-year period our workload has increased nearly 50 percent, we have essentially 10 percent less people on board than we did at the beginning of the base period. We believe that is as a result of several initiatives that have been taken over the years in terms of enhanced automation not only with ADP but with mechanized material handling and the sorts of things that we are still trying to do that are included in this budget.

Sir, may I answer questions?

[The statement of General Litke and charts follow:]

Prepared Statement of Maj. Gen. Donald P. Litke

Mr. Chairman and members of the committee: I am Major General Donald P. Litke, Deputy Director of the Defense Logistics Agency (DLA). I have with me today Mr. William Cassell, our Comptroller and Mr. Donald Shycoff, our Deputy Comptroller. I am pleased to have the opportunity to appear before you today to discuss DLA's programs and our Fiscal Year (FY) 1987 Operations and Maintenance request of $1,882,900,000.

Our FY 1987 request is $17.0 million below FY 1986, primarily because the Environmental Restoration funds are not included in our account in FY 1987. Our FY 1987 request will fund 5 percent workload growth, increases in training and ADP support. A large part of the increase is offset by a goal we have set for ourselves to increase productivity by 3 percent. With our FY 1987 request we should be able to increase the support we provide to the Services.

Mr. Chairman, as you know there are some proposals for reorganization that are directed at DLA. While I fully support constructive changes that improve the combat capability of our forces, it may be that these proposals stem from less than a full understanding of our Agency. Some people think we are a logistics policy organization. We are not. We are in the business of providing day to day support to the Services and have major impact on their state of readiness. I would like to take a few minutes to describe that business and try to give you an indication of our performance.

To put my remarks in context, let me first comment on the nature and scope of this Agency. DLA was chartered in 1961 to provide worldwide supply support to the Military Services. It opened its doors for business with 13% fewer people than it had taken the Services to do the job, with annual savings of $30 million. It was felt that greater economies could be realized in establishing one agency to manage items used by the Services. This has been the case. Since that time DLA's mission has expanded, resulting in varied and decentralized worldwide operations. Today, in addition to supply, DLA provides support to the Military Services in the areas of contract administration, a wide range of technical services, and reutilization and marketing of excess Department of Defense (DoD) property.

DLA plays a key role in maintaining the readiness of our Armed Forces. Mr. Chairman, we run a large business, and we are trying to do it in a businesslike fashion. Our workload, which has been increasing in recent years, reflects the demands placed on the Agency by its Military Service customers. We:

Buy, store and issue fuel, food, uniforms and textiles, medical supplies, and more than half the hardware items used by the Armed Forces; about $14 billion in annual procurements. In FY 1985 over 80% of contractual actions and 90% of our dollars were awarded competitively to satisfy these requirements.

Make annual stock fund sales of nearly $14 billion from an inventory of approximately $11 billion.

Receive and ship over 20 million line items annually from our depots.

Process over 30 million supply requisitions annually.

Administer approximately 450,000 contracts with a face value of nearly $220 billion.

Pay nearly 3 million invoices totalling more than $56 billion annually.

Obtain over 99% of the discounts called for under the contracts we pay.

Manage the reutilization and sale of surplus property having an acquisition value of over $4 billion annually. This involves the annual receipt and disposal of more than 5 million items.

Operate the Federal Catalog System, which provides descriptive and technical information on over five million items to DoD and other users.

Maintain a repository of scientific and technical data.

Provide numerous other services.

As you can see, DLA is not a logistics policy office. We are at the heart of the DoD Logistics System and play an essential role in readiness. The actions we take at DLA keep our operating forces combat ready in the field. That is not to say we have been able to operate problem free. In recent years we have experienced some difficulties, that with your help we are in the process of correcting.

Of particular concern, is recent degradation in our supply support to the Military Services. During the last three years we have experienced an upward trend in procurement administrative leadtime. This is the time it takes from receipt of a purchase request to award of a contract. Awards are not taking place on time. As a result, some material is not available to respond to Service requisitions. This upward trend in leadtime has contributed to a decline in supply availability, which while still the highest in DoD at 89%, is below past performance. In the last two years there has been a drop of over 4% in supply availability, which is the percent of time material is available in the system to fill a requisition.

Some of the increased leadtime is related to management actions to improve the quality of our contracts and to assure price reasonableness. We are requiring our buyers to spend additional time to assure the highest quality of each contract action at the best price. Other contributing factors include the many legislative and regulatory reforms implemented in recent years and, as part of our emphasis on quality, assuring that our contracting personnel have received mandatory training. Nearly 54% of our procurement workforce has less than three years of experience and almost half of our contract administration workforce has less than five years experience.

Since DLA resource requirements are primarily influenced by the activities of the Military Services, we must always be in a position to respond to our customers demands. As such, we have had to bring additional people on board, particularly in the contracting and quality assurance areas, to keep pace with increased workload demands while at the same time developing a highly trained workforce. Development of a competent, professional workforce is a high priority at DLA. While increased training reduces productivity in the short term, the development of a well trained workforce inevitably leads to improved performance.

Overall workload has been increasing by an average of five percent a year. As a result of changes in the procurement process and workload, we added nearly 3,000 people to the workforce in FY 1985. To avoid further degradation in our support to the Services and retain the Agency's workforce we have proposed a reprogramming of $143 million to our Operations and Maintenance account in FY 1986. The Secretary of Defense has approved this action and I expect it will be submitted to this Committee in the near future. I hope this Committee will support the reprogramming.

We plan to accommodate a five percent workload increase in FY 1987 with about a two percent increase in people. We have budgeted for a three percent improvement in productivity in both FY 1986 and 1987. Through the creativity and hard work of DLA employees, improvements to business practices, and modernization of facilities and equipment we anticipate significant gains in productivity without corresponding additions to our workforce. Although, I believe we run an efficient business, I also believe we can continue to make improvements.

To achieve additional gains, we will continue to stress improvements in the quality of our workforce. Our future budgets will reflect increases in training. In addition, we will stress modernization of our facilities and improvements in working conditions for our people. I am convinced that we can ammortize the investments we make in our people and facilities over a very short time period. While the Gramm-Rudman reductions have delayed our FY 1986 improvements, I am sure that over the long run our investments will prove to be worthwhile.

As I mentioned earlier, recent proposals concerning the organization of the Department of Defense have addressed DLA specifically. Great care must be taken in assessing the merits of such proposals. We do make some mistakes. With a business this size that is bound to happen. However, because the logistics business is our only business we can focus all of our efforts to support the Services.

In its first year DLA managed 1.2 million items; it now manages over 2.5 million, an increase of over 125%. In 1964 the Agency shipped 6.2 million line items, in 1985 it shipped 19.2 million with approximately the same resources. DLA assumed the contract administration function for the majority of Defense Contracts in 1965 with 10% fewer people than it had taken the Services to do the job with annual savings of $19 million. The number of contracts administered has almost doubled from FY 1966, the first full year of operation under DLA, to today. Assumption of the Reutilization and Marketing Program in 1973 was done with 24 percent fewer people than had been performing the function in the Services with annual savings of $16 million.

Workload increases continue to outstrip personnel growth while additional consolidations and staffing realignments have been made through the years to economize and streamline our operations. Our FY 1987 O&M estimated workyears of 52,605 are at approximately the same level as FY 1975 despite an increase in workload of about 60% since that time. During that same period the complexity of many of our tasks increased, particularly in the procurement area. We are committed to the same kind of productivity gains in the future, while at the same time maintaining or improving our performance.

Much of DLA's efficiency and effectiveness stems from specialization. For supply support we specialize in consumable items. These are items that are replaced when they wear out, not repaired. It is more efficient to have one organization buying and distributing an item used by more than one Service than to have each Service duplicate that function. For those items which are used by only one Service, the advantage comes from their similarity to other items managed by DLA. By concentrating on certain types of consumable items, DLA managers and buyers have developed the expertise and knowledge of the marketplace and consequently can do a better job in supporting the Military in these areas. By managing only consumable items DLA is able to reduce the number of layers of management needed to accomplish its mission. The effectiveness of centralized supply support is demonstrated by comparing performance statistics between DLA and the Services. DLA manages 55% of all National Stock-numbered items used by DoD today. DLA's stock availability ranges from 4 to 12% better than the Services and DLA's requisition processing time is as good or better than the Services even though many stocks are not located at the point of their use.

Items are transferred to DLA for management from the Services. Items such as spare parts first get into the DoD Supply System when the Services buy equipment such as planes and ships. This equipment is made up of many parts, some of which are reparable and some of which are consumable. The Services decide who will manage each part, based on a set of criteria jointly developed by the Services at the direction of Congress. Based on this criteria the Services retain management of all major end items and all reparable items. They also retain management of spare parts which are security classified, used in nuclear propulsion, are design unstable, need to be fabricated, or which are considered weapon system management sensitive. Weapon system management sensitive items are items which, because of their criticality to weapons readiness, require special management controls for quality assurance, testing, engineering, restrictive issue or their relationship to the end item. The Services also retain management of certain items considered essential to the performance of military missions. Items which do not meet the criteria for management by the Services are assigned to DLA or GSA.

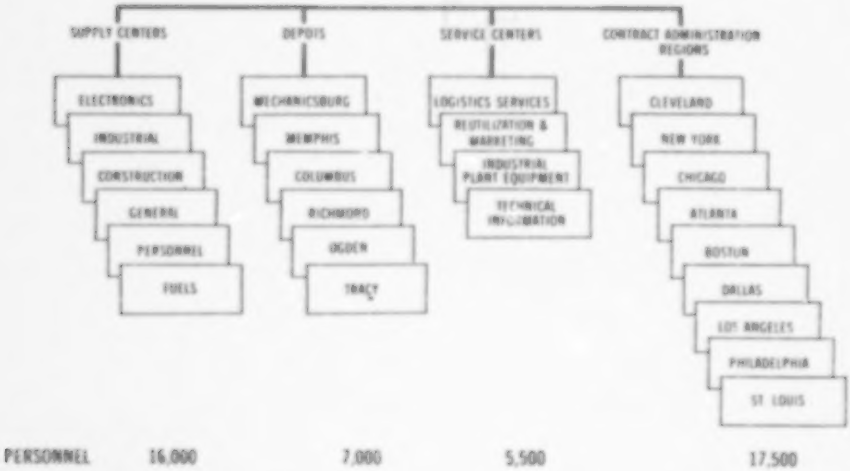
Once the Service identifies the item is to be managed by DLA, they have the opportunity to designate the item as having application to a weapon system. By doing this, the item automatically enters the DLA Weapon System Support Program (WSSP). This program allows DLA to provide attention and support to the items commensurate with the weapon systems criticality.

I hope I've made it clear that the Services decide which items they manage and which items DLA manages. We do not decide. We rely on the Services to tell us what is important and consistent with our role of support to them, so that we can direct our resources towards the priorities they establish.

In closing, DLA's organizational structure is well suited to carry out its mission. The concept of a specialized organization which can concentrate on a few aspects of a complex business to increase effectiveness and efficiency makes sense. We are not mistake free and we can do better. Our budget request includes funds to help us improve performance. I hope the Committee will approve our request so we can improve efficiency as well as the readiness of our Armed Forces. I will be glad to answer any questions you may have.

MISSION

Supply support; contract administration services; and technical and logistics services.


SUPPLY CENTERS
ELECTRONICS
INDUSTRIAL
CONSTRUCTION
GENERAL
PERSONNEL
FUELS
DEPOTS
MECHANICSBURG
MEMPHIS
COLUMBUS
RICHMOND
OGDEN
TRACY
SERVICE CENTERS
LOGISTICS SERVICES
REUTILIZATION & MARKETING
INDUSTRIAL PLANT EQUIPMENT
TECHNICAL INFORMATION
CONTRACT ADMINISTRATION REGIONS
CLEVELAND
NEW YORK
CHICAGO
ATLANTA
BOSTON
DALLAS
LOS ANGELES
PHILADELPHIA
ST. LOUIS
PERSONNEL
16,000
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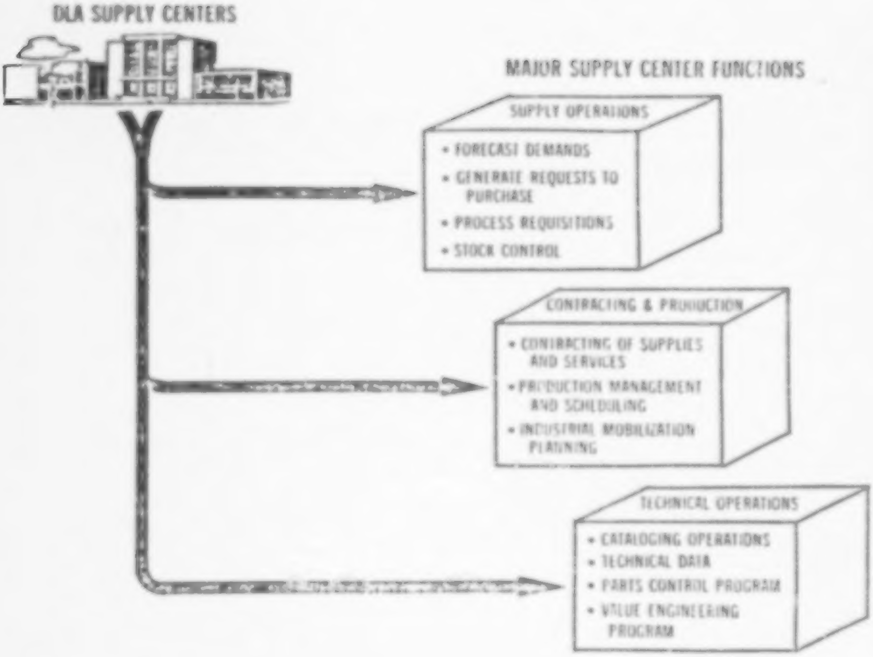
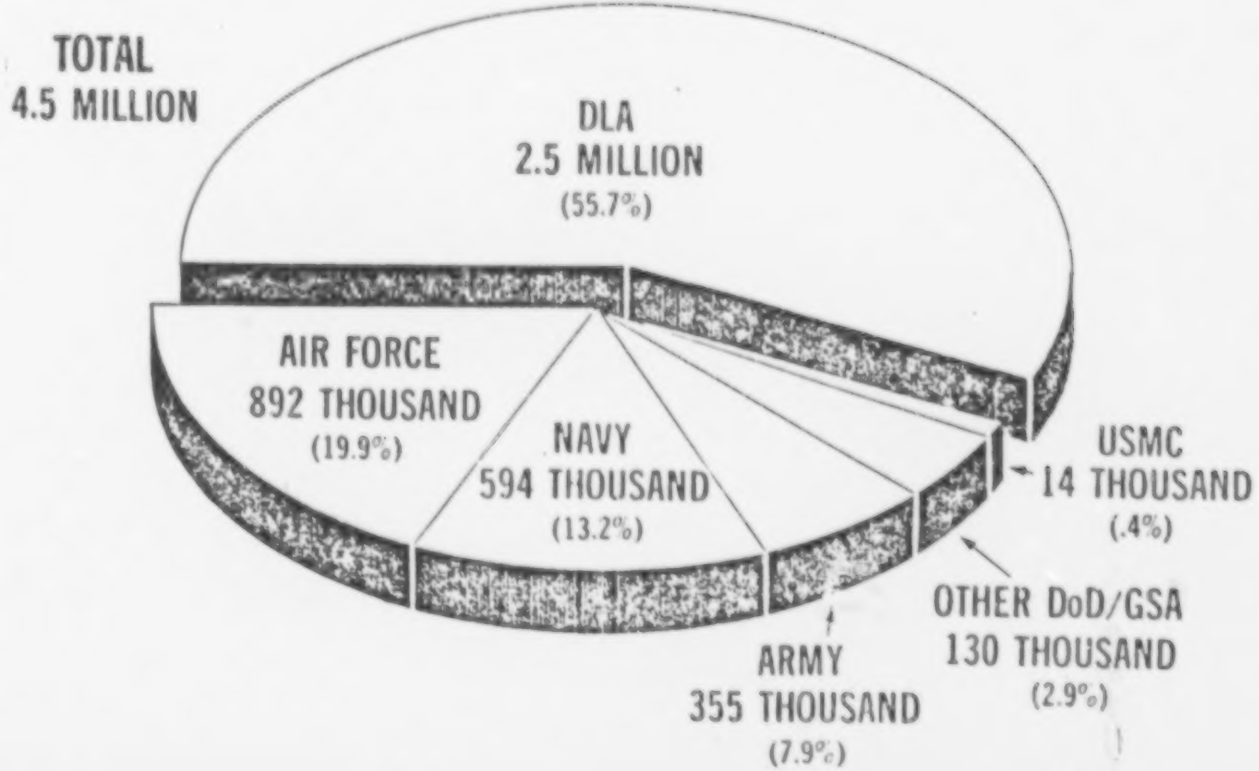
5,500
17,500

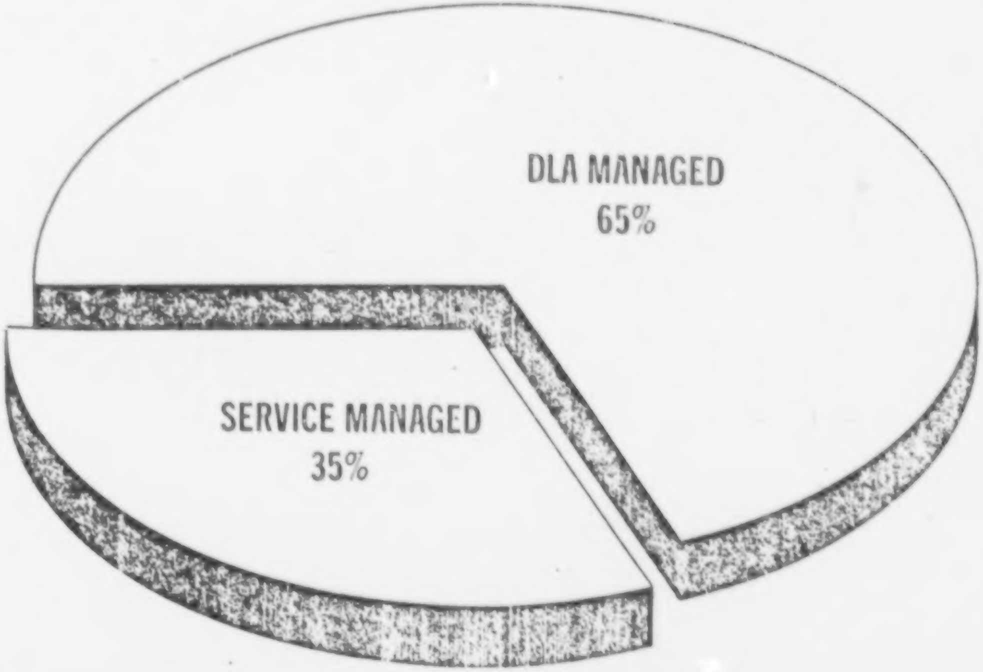

DLA SUPPLY CENTERS
MAJOR SUPPLY CENTER FUNCTIONS
SUPPLY OPERATIONS
• FORECAST DEMANDS
• GENERATE REQUESTS TO PURCHASE
• PROCESS REQUISITIONS
• STOCK CONTROL
CONTRACTING & PRODUCTION
• CONTRACTING OF SUPPLIES AND SERVICES
• PRODUCTION MANAGEMENT AND SCHEDULING
• INDUSTRIAL MOBILIZATION PLANNING
TECHNICAL OPERATIONS
• CATALOGING OPERATIONS
• TECHNICAL DATA
• PARTS CONTROL PROGRAM
• VALUE ENGINEERING PROGRAM

DoD ITEM MANAGEMENT

30 SEPT 1985

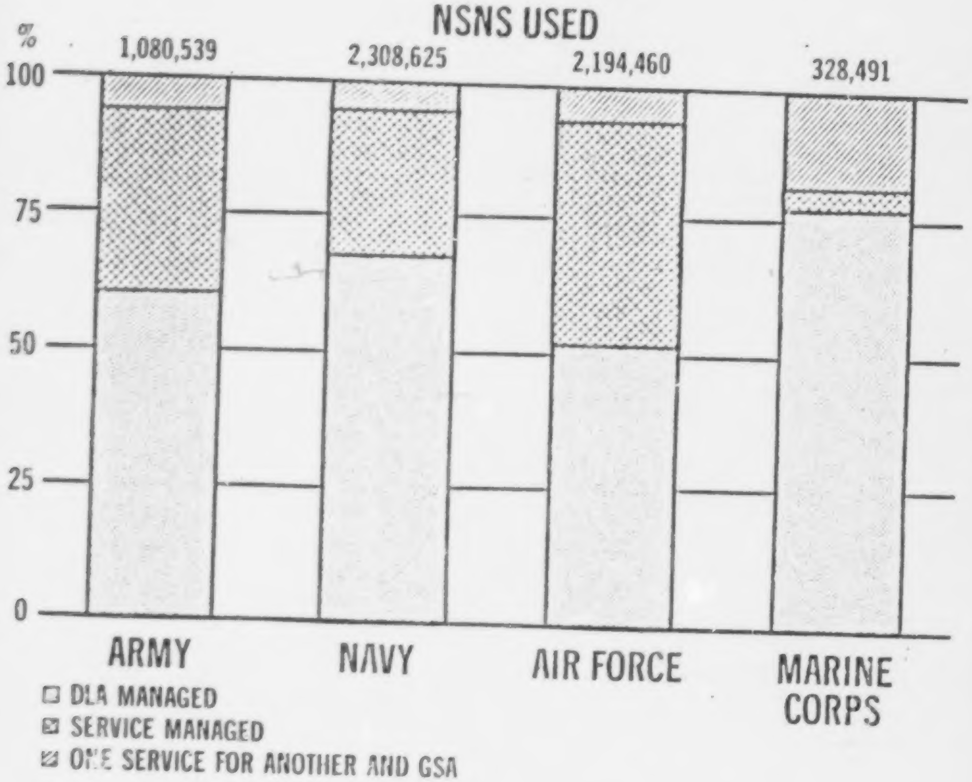


CONSUMABLE ITEMS MANAGEMENT



MILITARY SERVICE ITEM USE AND MANAGEMENT

AS OF 30 SEPT 1985



Stock fund sales fiscal year 1985

[Dollars in billions]

Fuel	
Medical	5.9
Subsistence	.7
Clothing and textiles	1.6
Other commodities	1.0
Strategic petroleum reserve	3.1
	1.2
Total	13.5

COMPETITION FISCAL YEAR 1985

	Dollars	Actions
Total contract awards		
Overall competition rate (percent)	[1] 15.2	[2] 1.4
Hardware center competition rate (percent)	90.4	80.3
	71.8	77.1

[1] Billions.

[2] Millions.

DLA supply availability

	Percent
1985	89
Down 4 percent from high in 1983:	
Increased demands	
Longer lead time	
Training	
Major weapon systems:	
Bradley fighting vehicle	96
Harpoon missile	93
E-3A aircraft (AWACS)	96
Self-propelled 8 inch howitzer	92

DEFENSE LOGISTICS AGENCY—FISCAL YEAR 1987 LABOR SUMMARY

[In millions of dollars]

	Workyears	Dollars
Workload increase (5 percent)	+1,757	+45.3
Productivity improvement (3 percent)	-1,042	-27.8
Contracting initiatives	+245	+5.5
Training	+144	+3.6
Total increase	1,104	26.6

Defense Logistics Agency fiscal year 1987 budget

[In millions of dollars]

Fiscal year 1986 budget after sequestration	$1,816.4
Nonlabor inflation	38.1
Training	14.8
Labor	26.6
Environmental restoration	-68.6
ADP and communications	23.6
Real property maintenance	26.6
Equipment/furniture	8.4
Other	-3.0
Fiscal year 1987 budget	1,882.9

Defense Logistics Agency—Gramm-Rudman-Hollings reductions

[In millions of dollars]

Fiscal year 1986 estimate	1,899.8
ADP and communications	-12.9
Real property maintenance	-30.5
Equipment/furniture	-40.0
Total reductions	-83.4
Fiscal year 1986 estimate after sequestration 1,816.4	

DLA APPROPRIATION SUMMARY

[In millions of dollars]

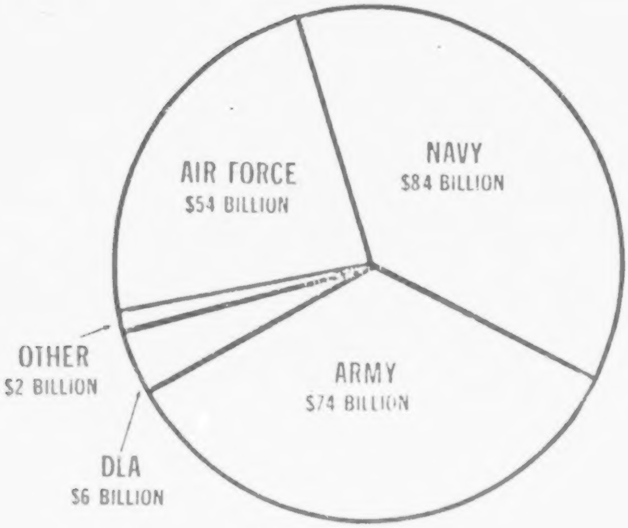
	BUDGET	
	FY 1986	FY 1987
Operations and maintenance	1,899.8	1,882.9
Procurement, defense agencies	80.4	125.5
Military construction	38.5	60.9
Family housing	.5	.4
Research, development, test, and evaluation	31.8	44.6

DLA APPROPRIATION SUMMARY—Continued

[In millions of dollars]

	BUDGET	
	FY 1986	FY 1987
Stock fund	91.7	136.8
Total	2,142.7	2,251.1
Workyears (total)	53,573	54,658
Workyears (O&M)	51,501	52,605

CONTRACT ADMINISTRATION



$ VALUE OF CONTRACTS

$220 BILLION

Contract administration

Average number of contracts administered	450,000
Face value of contracts on hand (billion)	$220
Contractor payments fiscal year 1985 (billion)	$44.6
Contractors	27,000
Workforce	17,500

TECHNICAL SUPPORT

Process material for reutilization, donation or sale with acquisition value of $5.5 billion.

Maintain item descriptions and provide material stock numbers for 5,500,000 items in federal supply system.

Provided over 350,500 technical reports to R&D community.

Issued approximately $75M of industrial plant equipment items to military services.

Personnel: 5,500.

Supply depot operations

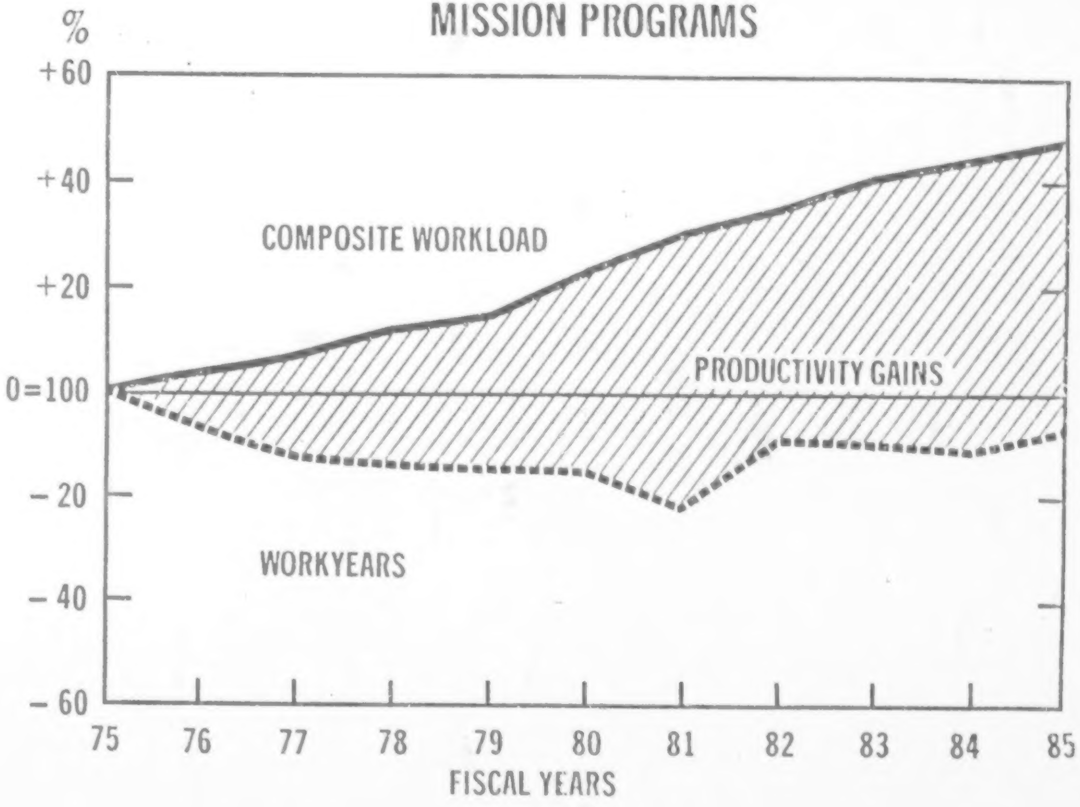
Number of depots	6
Line items shipped and received	20,451,000
On-time performance (percent)	96
Locator accuracy (percent)	99.3
Number of personnel	7,000

KEY WORKLOAD/PERFORMANCE STATISTICS

Over 20 million items received and shipped.
2.5 million items managed; 55 percent of DOD's NSN's.
30 million requisitions processed.
1.4 million contracts awarded.
450,000 contracts administered.
2.8 million invoices paid.
$13.5 billion in stock fund sales.
700,000 weapon systems items managed.
973 weapon systems supported.
80 percent of contracts awarded competitively.
89 percent supply availability.

DLA PRODUCTIVITY

MISSION PROGRAMS



Mr. DANIEL. Thank you very much, General. That is very comprehensive and understandable.

Let me ask you, as you know, there is some division of opinion in the services about whether or not we ought to have centralized procurement and centralized warehousing and things of this sort. Were you ever involved in transferring items to DLA for management?

General LITKE. Yes, sir, I was. I spent several years in the Air Force logistics community, and in 1979 to 1981 I was the vice commander of our Air Logistics Center at Oklahoma City that, among other things, had responsibility for about 60 percent of the Air Force engines. It was at that time that we were talking about the consumable item transfer.

There were many of us who were concerned that because of the very technical nature of a large number of the consumable items that we managed, moving them to DLA would deprive us of that technical capability.

I found, since I have returned to the logistics business and particularly to DLA, that those concerns were really not well founded, for a couple of reasons.

One, at the time of our concern we did not know that the services would be given the opportunity to select those items and to retain selectively those over which they had true engineering concerns.

Second, under the ground rules under which these items have been transferred, the services have retained the engineering cognizance.

Thus, if our technical work force comes up with a problem that they are unable to resolve on an item that has been transferred, they can refer immediately and directly to the service for that assistance. We have not had to do that on a very great basis since the sorts of items that have been transferred to us have not necessarily been the complex, highly technical items.

Mr. DANIEL. I believe you were out there when we held the hearings.

General LITKE. I had left just before you were there.

Mr. DANIEL. Just before we were there?

General LITKE. Yes, sir.

Mr. DANIEL. Then your opinion about this has changed since you came into this position?

General LITKE. It has. It also changed in my last couple of positions where I was the Deputy Director of Logistics for the European Command and then an operator of the entire logistics forces in Turkey, and I used the services of this agency and of the services, and I found the DLA to be extremely responsive.

Mr. DANIEL. Of course the charge has been there is too much duplication and we simply do not need this type of agency, the services can better handle it themselves, but you are convinced now that that is not the case.

General LITKE. And I think there are some numbers that would substantiate that. For example, I noted that we currently are supplying demands at about an 89 percent rate. That, against consumable items DOD-wide, is 4 to 12 percent better than the services are supporting themselves, again, talking consumable item to consumable item.

It appears that we are doing a reasonably good job of providing that support to the Services.

Mr. DANIEL. Do you find that opinion to be shared by the military offices in DLA?

General LITKE. Yes, sir. I think many came with the same skepticism that I came with, but, again, when you see how items are managed and then when you look at the statistics, which are irrefutable, our performance indicators are equal to or better than the services. That also holds true with the items that have been transferred from the services under consumable item transfer or other transfer mechanisms. We are doing equal to or better than the services were when they maintained the item.

Mr. DANIEL. I have one other question. In your statement you indicate that one of the factors contributing to DLA's decline in supply availability has been recent legislative and regulatory reforms. Specifically, what are these initiatives that you are speaking of, and what kind of impact are they having?

General LITKE. And we do not take quarrel with these reports, but they have increased our——

Mr. DANIEL. Maybe you ought to.

General LITKE. Well, as you can see, they have pointed things in the right direction in terms of the amount of competition and the price reasonableness, and that is of course what they are aimed at.

But the specific things that I was referring to were the requirements for synopsizing a larger population of our procurements in the Commerce Business Daily which adds several days, a considerable extension in the number of days that a procurement solicitation is left open. So from that standpoint, that has affected lead time.

As I mentioned, we also have initiated additional reviews, screenings, to ensure that the item manager knows what he is buying and that he is buying it at the most fair and reasonable price.

Mr. DANIEL. President Johnson used to say that reform is like whiskey, you can take just so much of it. I do not know whether that is a fair statement or not.

Mr. Hutto.

Mr. HUTTO. General Litke, several years ago there was a fair amount of controversy in logistics circles about the transfer of various consumable items to DLA from the services. How was this issue finally resolved, and are service misgivings being confirmed by DLA's recent degradation of support to the services?

General LITKE. Again, I think they are, by and large, resolved because of the conditions and the filters that were established partially by members of this committee some time ago that said the services can retain items that are critical to their weapons systems, items that are classified, items that have high degrees of engineering cognizance required.

So they have, in fact, not only transferred those items that were mandated during the consumable item transfer but they have continued to transfer at the rate of about 40,000 a year since then.

The level of support that we provided to those items has remained equal to or better than the services were providing when they managed them themselves. So I believe, by and large, that criticism which was fairly vocal in the late 1970's has subsided.

Mr. HUTTO. In your statement you mention that DLA has proposed reprogramming $143 million in fiscal year 1986 to avoid any further degradation of DLA support to the services. Specifically, what does this reprogramming request involve, and when will it be submitted to Congress for approval?

General LITKE. We have submitted that to OSD, and I am confident that it will be coming forward reasonably shortly. We have requested a reprogramming of $68 million out of the stock fund and $15 million out of procurement, defense agencies, in addition to the $75 million that was mentioned earlier, primarily to support our initiatives on getting our procurement backlog down and getting those rates of availability up.

We added nearly 3,000 people to our agency in the last several months of fiscal year 1985 to help us in that endeavor, and we need those sorts of funds in our personnel pay account to keep those people on board and to continue what we hope to be a bottoming out of that drop of supply availability and turning the corner back toward increasing that capability.

Mr. HUTTO. Thank you.

Thank you, Mr. Chairman.

Mr. DANIEL. Mr. Ray.

Mr. RAY. Thank you, Mr. Chairman.

General, your testimony was very straightforward and very interesting. I appreciate your giving it to us.

General LITKE. Thank you, sir.

Mr. RAY. Just a few questions. You mentioned, and Mr. Daniel alluded to it, that the Competition Advocacy Program had kind of slowed the process down. Do you see that as temporary and eventually over—once all the leveling out takes place, that that will work?

General LITKE. I really do. We obviously, being very candid, had lots of our procurement people very concerned about making a mistake. There have been enough stories in the paper and enough focus and spotlight on procurements by this agency and the rest of the Department that there has been a great deal of emphasis placed by our procurement personnel to ensure they are buying right and buying at the right price.

As we learn to cope with that, as we get additional capability to automate more of our procurements, we believe that will flatten out and will turn around.

Mr. RAY. I guess you mentioned—I think you did—where the depots are located.

General LITKE. Yes, I did, sir.

Mr. RAY. Does DLA coordinate its inventories, or is there any kind of data processing system? Do the services inventory?

General LITKE. Yes, sir, the data base that we maintain through our Defense Logistics Support Center in Battle Creek ties that entire inventory processing system together.

Mr. RAY. So they are able to tell if they do not have something they need that you have got it and they can order it from you?

General LITKE. Yes, sir.

Mr. RAY. A couple of years ago Mr. Nichols' Investigation Subcommittee, during the time of overpriced spare parts, held a hearing, and one of the items that came out in that hearing was that the Air Force, for instance, once they reach a certain number of parts—I will just use a figure of, say, 150—no matter whether it was a current part or not, they would automatically throw those back down to about 100. You know what I am talking about?

General LITKE. Yes, sir, I do.

Mr. RAY. Now, what we found in that particular hearing was the F-15 part went back to the Department's disposal agency and was then sold for a very cheap price, and, at the same time, as soon as that inventory dropped below 100 we were back in the business of buying again.

General LITKE. Yes, sir.

Mr. RAY. Have we managed to straighten that out?

General LITKE. Yes, we have. In fact, there is now a moratorium on the disposal of any weapons systems-related parts.

Mr. RAY. Is delivery pretty good from your operation to the various services that need them?

General LITKE. Again, the 89-percent delivery figure is the best within the Department of Defense.

Mr. RAY. So you get it out to the different air bases or Navy pretty fast?

General LITKE. Yes, sir.

Mr. RAY. You mentioned that you handle textiles and clothing. Are we able to buy the majority of that from our own textile people in this country, or do we buy some foreign material?

General LITKE. It is bought locally and primarily from small business.

Mr. RAY. I am told that we do not have any firm in this country that is able to make chemical warfare clothing.

General LITKE. We have a limited capability, and that is truly a shortfall in our ability to support war readiness material at the moment.

Mr. RAY. The division of yours that I have the most trouble with in my Defense bases is the property disposal. It seems like every month there is some problem going on there.

General LITKE. Yes, sir.

Mr. RAY. My most recent problem is that they had sold a bunch of hazardous material to a fellow.

General LITKE. I am very familiar with it.

Mr. RAY. Well, thank you so much.

Thank you, Mr. Chairman.

Mr. DANIEL. Thank you very much, General. You have given us some good information; we appreciate it.

Do let us have as rapidly as you can any sort of backup material we are going to need, because you are aware of the constraints that we are under so far as time is concerned.

General LITKE. Yes, sir.

Mr. DANIEL. The subcommittee will stand in recess until 9 o'clock Wednesday morning. Thank you very much.

[Whereupon, at 4 p.m., the subcommittee was recessed, to reconvene at 9 a.m. on Wednesday, February 26, 1986.]

TO REVIEW ISSUES RELATING TO THE NAVY'S SELECTED RESTRICTED AVAILABILITY [SRA] POLICY

House of Representatives, Committee on Armed Services, Seapower and Strategic and Critical Materials Subcommittee Readiness Subcommittee,
Washington, DC, Wednesday, February 26, 1986.

The subcommittee met, pursuant to notice, at 9:09 a.m. in room 2118, Rayburn House Office Building, Hon. Earl Hutto presiding.

Mr. Hutto. The joint Subcommittees on Seapower and Readiness will please come to order. Neither Chairman Bennett of the Seapower Subcommittee nor Chairman Daniel of the Readiness Subcommittee are able to be with us this morning. They have asked that I read statements that they prepared for this joint hearing.

So at this time I would like to read the statement of Mr. Bennett, chairman of the Subcommittee on Seapower.

STATEMENT OF HON. CHARLES E. BENNETT, A REPRESENTATIVE FROM FLORIDA, CHAIRMAN, SEAPOWER AND STRATEGIC AND CRITICAL MATERIALS SUBCOMMITTEE, PRESENTED BY HON. EARL HUTTO, A REPRESENTATIVE FROM FLORIDA

Today the Readiness and Seapower Subcommittees meet in a joint hearing to examine the Navy's policies on maintaining its ships.

The primary focus of these hearings is the way in which the Navy selects the shipyards that will perform so-called selected restricted availability to work on its ships. Also at issue is the manner in which the Navy considers the cost of moving its ships out of the home port areas as part of the overhaul costs which is called the interport differential.

The subcommittees wish to learn if this differential is a reasonable thing to consider as part of the bid on Navy ship work. Each of us on this panel is vitally interested in seeing that Navy ships are maintained to the highest possible standards at reasonable cost to the taxpayer.

But although cost and work performance are certainly the major considerations in any discussion of ship maintenance, they are not the only ones. Also worthy of consideration are the effects of the ship maintenance practices on the availability of the ship to meet its operating schedule and the effects on the morale and training of the ship's crew. It seems logical that a reasonable ship maintenance policy would try to balance all of these factors: cost, performance, schedule and personnel.

We will ask our witnesses today to comment on the achievement of this balance in the Navy's policies. Before going further—this is Mr. Bennett's statement—I would like to thank Chairman Daniel for agreeing to the joint hearing because the Seapower Subcommittee had the primary responsibility for authorizing the Navy's ships.

We look upon them with a sense of continuing pride and concern for their well-being. The Readiness Subcommittee has done a fine job in seeing to it that the Navy's ships are well cared for, and it is a pleasure to join with you today in this hearing.

STATEMENT OF HON. DAN DANIEL, A REPRESENTATIVE FROM VIRGINIA, CHAIRMAN, READINESS SUBCOMMITTEE, PRESENTED BY HON. THOMAS HUTTO, A REPRESENTATIVE FROM FLORIDA

At this time I would like to read Chairman Daniel's statement. He says I would like to join Chairman Bennett in welcoming our witnesses this morning. I would also like to thank Chairman Bennett for agreeing to the joint hearing of the Readiness and Seapower Subcommittees as I am sure our colleagues on the Seapower Subcommittee know, the Readiness Subcommittee is in the process of holding a series of hearings reviewing the individual service accounts as well as several important programs related to the fiscal year 1986 Department of Defense operation and maintenance request.

Last year in my opening statement at a similar hearing I indicated that no single O&M program has generated more congressional interest than the Navy's Ship Repair and Modernization Program.

That statement is as true today as it was last year and has been for at least the past decade. This joint hearing today is further evidence of not only congressional interest but also of the fundamental importance of this program to the readiness of our naval forces.

It is reassuring to the members of our subcommittee to know that our colleagues of the Seapower Subcommittee share our concern regarding the Navy's Ship Repair and Modernization Program, and in particular, the policy regarding selected restricted availability or SRA as it is better known, and the associated subject of interport differential costs.

These two subjects will be the focus of our discussion this morning. There are of course a great many other areas of concern related to the Navy's Ship Repair and Modernization Program.

Several of those other areas will be examined when the Readiness Subcommittee meets this afternoon.

Mr. Chairman, as we are all aware, the Navy has made numerous improvements and much progress in its Ship Repair and Modernization Program in the last several years. The large unfunded overhaul backlog of the late 1970's has been eliminated.

The current ship maintenance strategy based on fewer overhauls with increased reliance on SRA's and phased maintenance availabilities has resulted in a significant increase in ship operational availability.

The readiness of our fleet is clearly better today than in many years. This is even more noteworthy when one considers the growing numbers and complexity of the ships in that fleet.

As we examine the subject of SRA's this morning, I hope we focus on how and why our current policy has resulted in the improvements and progress which has lead to a high state of readiness. We certainly do not want to rest on our laurels however.

If there are further improvements which can lead to even better readiness, we must clearly examine them. This is especially important in the present climate of budget restraint and deficit reduction.

There is one note of caution I must sound though. We should be very careful about tinkering with an obviously successful policy just for the sake of tinkering in the hopes that something better might happen. Any policy can periodically use fine tuning. We all understand that.

At the same time I think we should keep in mind that old expression, "If it ain't broke, don't fix it."

Thank you, Mr. Chairman. I look forward to the testimony from Secretary Pyatt and our industry witnesses. The Chair at this time would recognize Mr. Hunter representing Mr. Whitehurst, the Ranking Minority Member of the Readiness Subcommittee for the comments that he may have.

Mr. HUNTER. Thank you, Mr. Chairman. Let me read from Mr. Whitehurst's statement. I would ask that the entire statement be put in the record.

Mr. HUTTO. Without objection, it will be entered into the record.

STATEMENT OF HON. G. WILLIAM WHITEHURST, A REPRESENTATIVE FROM VIRGINIA, RANKING MINORITY MEMBER, READINESS SUBCOMMITTEE, PRESENTED BY HON. DUNCAN L. HUNTER, A REPRESENTATIVE FROM CALIFORNIA

Mr. HUNTER. I thank you and I would like to read his first and last paragraph in the interest of time because we have gone over some of the things that he would like to say in reading the other statements.

Thank you, Mr. Chairman. I would like to commend Chairman Bennett and Chairman Daniel for calling this joint hearing this morning. I know the members of the Readiness Subcommittee are keenly aware of the importance of the Navy's Ship Repair and Modernization Program.

It is gratifying to know that our colleagues of the Seapower Subcommittee are also aware of this important program and are taking this opportunity to join us in receiving testimony on this crucial subject.

We are indeed fortunate in having Assistant Navy Secretary Everett Pyatt as a witness this morning. Secretary Pyatt has played a key role in developing and implementing the policies and programs which have resulted in the high state of readiness of our fleet which Chairman Daniel mentioned.

I know the members of both our subcommittees are very interested in Secretary Pyatt's comments and observations about the Navy's SRA policy and its maintenance program in general.

He concludes, the success of today's Navy is a broad and complex matter. It is more than just a good material maintenance program and its supporting policy. True, that is an important ingredient, but it is only one of many ingredients.

As we examine the Navy's SRA policy this morning I hope all the members of our subcommittees keep a broad perspective in mind. I especially hope we keep the men and women of the Navy in mind and how personnel programs and quality of life aspects of service life are affected by in this instance maintenance policy. As we so often hear these days, people really are our most important resource.

Thank you, Mr. Chairman, and I will offer Mr. Whitehurst's entire statement for the record.

PREPARED STATEMENT OF HON. G. WILLIAM WHITEHURST

Thank you, Mr. Chairman. I'd like to commend Chairman Bennett and Chairman Daniel for calling this joint hearing this morning. I know the members of the Readiness Subcommittee are keenly aware of the importance of the Navy's ship repair and modernization program. It is gratifying to know that our colleagues of the Seapower Subcommittee are also aware of this important program and are taking this opportunity to join us in receiving testimony on this crucial subject.

We are indeed fortunate in having Assistant Navy Secretary Everett Pyatt as a witness this morning. Secretary Pyatt has played a key role in developing and implementing the policies and programs which have resulted in the high state of readiness of our fleet which Chairman Daniel mentioned. I know the members of both our subcommittees are very interested in Secretary Pyatt's comments and observations about the Navy's SRA Policy and its maintenance program in general.

We are equally fortunate to have several well qualified and respected representatives from the ship repair industry with us this morning. I am particularly pleased that Mr. Gary Bowers of the South Tidewater Association of Ship Repairers is able to be here. I have known Gary for a number of years and value his knowledge and recommendations. The information and experience which industry representatives can provide is an extremely important input for the subcommittee and the Congress to use in making its decisions.

To all our witnesses, let me add my sincere welcome—it is good to have you here today.

In past year's hearings I have acknowledged my obvious parochial interest in the subject at hand. The ship repair industry is a vital part of the economy and lives of everyone in the Tidewater Area of Virginia. It goes without saying that I have a strong constituent interest in this business. However, in my 17 years in Congress and on the Armed Services Committee, I believe I have developed an appreciation for a broad range of inter-related defense issues which goes beyond that constituent business interest.

The fundamental issue is the United States Navy and the part it plays in the defense of our country. There is no way to over emphasize the importance of the Navy. One has only to read a newspaper to see that the Navy is an active, daily instrument of the United States around the globe. And the material readiness of that Navy is crucial to its effective use in whatever assignment it is given. The United States is very fortunate to have the Navy it has and particularly fortunate to have a Navy with the high state of readiness ours has.

That high state of readiness is not an accident. It is deliberate and planned. It is a cooperative effort on the part of many. The men and women who man our Navy, the hierarchy that guides it, the industrial base which supports it, and the American people who have faith in it—all are part of that cooperative effort.

Least you think I've signed up to do recruiting commercials for the Navy and have forgotten the subject of this morning's hearing, there is a point I'm trying to make. The success of today's Navy is a broad and complex matter. It is more than just a good material maintenance program and its supporting policy. True—that's an important ingredient; but it's only one of many ingredients. As we examine the Navy's SRA policy this morning, I hope all the members of our subcommittees keep a broad perspective in mind. I especially hope we keep the men and women of the Navy in mind and how personnel programs and quality of life aspects of service life are effected by—in this instance—maintenance policy. As we often hear these days, people really are our most important resource.

Thank you, Mr. Chairman.

Mr. HUTTO. Thank you very much, Mr. Hunter. At this time I would like to recognize Mr. Spence, the ranking minority member of the Seapower Subcommittee for any comments that he may have.

Mr. SPENCE. Thank you, Mr. Chairman. I would just like to say, briefly, that as a member of both the Seapower and Readiness Subcommittees I welcome the opportunity this joint hearing provides to get a clearer picture of Navy ship repair policies and their effects.

Last year's activities on the defense appropriations bill, both on the House floor and later in the continuing resolution, demonstrated the need for a more deliberate consideration of the facts about Navy ship repair policy, and I trust we will get these facts today.

My thanks also to Chairman Daniel and Mr. Whitehurst for their activities in setting up this joint meeting.

Mr. HUTTO. Thank you, Mr. Spence. Before I recognize the chairman of the Seapower Subcommittee who is with us now, I would like to acknowledge the presence of the member of the Defense Appropriations Subcommittee, and, of course, they are always welcome at our meetings, Mr. Les AuCoin from Oregon. Glad to have you.

Mr. AUCOIN. Thank you.

Mr. HUTTO. And now, Mr. Chairman, you have made a beautiful entrance here. The only thing that would have been better would have been for you to don a sailor's cap and have your wheelchair in the form of a ship or something like that.

Mr. BENNETT. Well, I thank you a lot. I appreciate very much your kindness. I am not trying to be dramatic, but you know if you have a little difficulty and you do not go ahead and operate, you become ineffective.

So I do not allow things to look awfully determinative. I am not trying to be dramatic. I am just trying to be me and just do whatever I can.

Mr. HUTTO. Well, we are delighted that you are here.

Mr. BENNETT. I appreciate your carrying on for me here. I will have to testify before another committee on the revolving door in about a half hour or so. So it is very appropriate that you would be running it anyway.

The next time I am going to get well enough so that I can get up on the steps, but I have not been able to conquer the steps yet. I only broke my leg 2 days ago so normally I would be in the hospital.

Mr. HUTTO. We are thankful that you are here and glad to see you are doing well.

Mr. BENNETT. Thank you very much. I know that this meeting will be very effective and good.

Mr. HUTTO. I hope that you will soon be able to get around.

Mr. BENNETT. I am glad to be here. God bless.

Mr. HUTTO. Thank you very much, Mr. Chairman, then. Do any of the other members have any comments to make at this time?

[No response.]

Mr. HUTTO. If not, we will recognize Assistant Secretary Pyatt, and Mr. Secretary, you may proceed as you see fit.

Mr. PYATT. I would like to enter my testimony for the record and briefly summarize what is in it so that you can go to the questions that I know are on your mind.

Mr. Hutto. Without objection.

STATEMENT OF HON. EVERETT PYATT, ASSISTANT SECRETARY OF THE NAVY (SHIPBUILDING AND LOGISTICS)

Mr. Pyatt. It is my pleasure to appear before the committee today because this has been a topic of substantial discussion over the past year particularly during the continuing resolution process.

Before I start I would like to outline the framework that I live in—trying to develop and maintain our policies in doing this very important ship overhaul and repair business.

I am guided from the beginning by the importance of maintaining a mobilization base in ship repair and ship overhaul industry because the studies that we have done concluded that effective mobilization depends upon early availability of ship repair and ship maintenance, getting ships that are in the inactive fleet, particularly merchant ships, to sea and fixing battle damage.

That becomes important before any new construction does. Some of our studies have shown that as many as 2,000 ships would pass through shipyards in the very short period of 9 months. That is a very intense kind of military activity, but it is one that kind of helps guide the baseline.

This includes maintenance, reactivation, and sealift enhancements of merchant ships as well as battle damage repair of combatants. The way we have looked at it shows that a base of about 90 public and private facilities of all sizes and approximately 140,000 people are required in peacetime to be ready for this wartime surge.

That is the background. Now, that helps provide a basis to work from. It is never totally achievable. You cannot have it totally in place, but it provides a guideline.

Maintaining the level is the challenge. It is not a small challenge in the face of worldwide contraction of peacetime demand for these services. As many of you know, the shipbuilding industry in the world is on a decline in both repair and new construction.

In addition, in the last several years, there has been a change in ship maintenance philosophy largely derived because we are making better equipment that does not need to be worked on so much. We have moved from an era where major overhaul has occurred every 3 years to one in which a major overhaul occurs about every 5 years, with short, maintenance-intensive selected restricted availabilities [SRA's] occurring at about 18-month intervals. Thus, there has been a shift away from many ROH's annually to an environment characterized by fewer overhauls and more SRA's.

We saved a lot of money in this, and this is part of what has made possible the maintenance of the 600-ship Navy and the reason that we think that we can make it happen doing the kinds of fiscal projections we are all making.

In view of this philosophy shift and mindful of both cost and mobilization considerations, we expanded the geographic area of overhauls and SRAs greater than 6 months to make it coastwide. Not more than about 2 years ago we had a policy of restricting some overhauls to home port and sending others, about two-thirds, coastwide.

We changed that policy to make all overhauls available for coastwide competition recognizing our need to maintain the mobilization base. We picked SRA's greater than 6 months because of people.

With a 6-month tour away from the home port, we can send their families, give them permanent change of station, and make Navy life a little more agreeable. Involved in this at all times is an attempt to control costs.

Everyone knows that any maintenance activity whether it is your home dishwasher, your automobile or your car, you get involved in the maintenance activity and pretty soon costs are quite difficult to keep under control.

We all have had our individual experiences in putting a ship together, and taking care of a ship is no different. So we have had to concentrate an awful lot on getting specifications down so we can do competitive bidding, get away from a cost-plus environment to firm fixed price or fixed price incentive work, and to separate the growth work which occurs when you get into a complex piece of equipment and discover that things are not the way you thought they were to control its cost.

As a result, while ship overhauls routinely came in above Government estimates in 1982, since 1984 they have been, on the average, below our Government estimates by 5 to 10 percent. I think that is a result of a lot of people doing a lot of work to control specifications, to promote competition, and it is a good reflection on both the industrial sector and our people. Now, we are going to keep at it.

One of the challenges that we continually maintain is the proper utilization of the large and small sectors. We have laws and regulations that promote small business, and try to use it because in many cases, in many kinds of jobs, small business can do a much better job than big business.

We think it is very appropriate. However, as with any bureaucratic set of regulations, you can get into situations where the balance can sometimes tip too far. We are starting to see that in the ship overhaul business where the small business by virtue of our set-aside rules are getting more business than some folks feel is appropriate.

I have seen letters from various Members of the Congress about it, and we have had to cope with the issue.

Naval shipyards are a fundamental importance to any overhaul activity as several of you who represent local shipyards know. They are large businesses, about $4 billion in revenue in all the Navy shipyards last year, and over 75,000 people. I have 79,000 in my testimony. That is a mistake.

We spent last year working on improvements in the management of the ship overhauls in Navy shipyards. There is room for improvement. There is room for many of the kinds of things that have been a pride in the private sector for controlling costs.

In putting together the budget for this year, we estimated the value of the efficiency improvements that can accrue and took it out of the budget in anticipation of making them happen.

I also know that some of you have heard some of the disagreements with this, but we had to get on with it. In addition Congress directed in the appropriation bill of last year we institute a public-private competition. It was put in again this year.

We are firmly in agreement with it. Competition is very good for public and private sectors. There is, as all of you know, competition head to head every 2 years, and I think it is good for the ship building industry too.

The law asks for four ships. We have designated eight, four on each coast. Those competitions are underway, and I know several of you have questions and issues that you would like to raise about those.

An issue last year that wound up in this whole hearing is SRA's in home port. I have to look at SRA's in terms of the overall mobilization picture. We need to maintain in the home port the ability to take care of the fleet that is there.

We need to maintain a national industrial base which we try to support using use the overhaul base and we need to take care of the Navy people who dedicate so much of their lives going to sea and defending the country.

Last year there was a proposal for all SRA's to be subject to coastwide competition. In the ensuing debate which many members of this committee helped us in, Congress determines that it was not a good idea, and we firmly agree.

We think it is very important that the crews have the opportunity to come back from a deployment and go to their families rather than to the shipyard. They are away a lot more than we desire, and I know that you have heard the Secretary and the CNO talking about deployments, talking about reduced OPTEMPO and conserving the fleet, and making the Navy a better place to be.

Another aspect that we do not consider too much is when ships are in homeport during SRA's, home port training facilities are available for people on the crew, particuarly the combat systems to do training, to understand how better to utilize the ship. This is an important aspect that is not available when they are out of homeport.

So it is another very important element that needs to be considered when you think about SRA policy.

So, in summary, by our attempts to broaden the competition coastwide for overhauls and from a policy of only a couple years ago, limit SRA's to home port but assuring there is competition, all the homeport areas have a very strong competitive environment so that we are sure that we are getting our money's worth.

In areas where we do not have a competitive environment, we try to broaden the homeport area enough to where we can get a competitive environment. We believe we have the intellectual framework to look at the overhaul and repair policy, and the basis of our mobilization requirements, and also be able to consider the needs of our people who run the ships.

We believe we have taken positive management actions over the last couple of years to promote efficiency and effectiveness through competition, and we also I hope have demonstrated our sensitivity to changing environments, and our willingness to make changes as necessary.

So I again appreciate the support that this committee has given us. It is a pleasure to be here this morning, and I have no further prepared comments.

PREPARED STATEMENT OF HON. EVERETT PYATT

Mr. Chairman and distinguished members of the committee. I am Everett Pyatt, Assistant Secretary of the Navy (Shipbuilding and Logistics).

I am pleased to appear before this joint committee to discuss the Navy's policies regarding Selected Restricted Availabilities and Overhauls for Navy ships.

MOBILIZATION REQUIREMENT

During the past two years, we have been studying the mobilization requirements for ship construction and repair. In the scenarios we have investigated, the early requirements for ship repair are more important than ship construction. Thus, the Navy has an absolutely critical need to maintain an active ship repair industry in this country. The national defense requirements that would be placed on this industry, in the event of mobilization, are enormous. During the first nine months following a mobilization, over 2,000 ships would require the services of the domestic shipyards. This includes maintenance, reactivation, sealift enhancements of merchant ships for military missions, as well as battle damage repair. Navy projections show that a base of over 90 public and private facilities, and approximately 140,000 ship repair production workers, are required in peacetime to be ready to perform the wartime work.

Maintaining this peacetime level is no small challenge in the face of a worldwide contraction of the private sector demand for these services. In recognition of this challenge, the Navy has taken many steps to maintain the ship repair mobilization base.

NAVY POLICIES

Since 1981, we have drastically changed our ship maintenance philosophy. We have moved from an era where major overhauls occurred every three years to one in which a major overhaul now occurs about every five years with short, maintenance-intensive Selected Restricted Availabilities (SRAs) occurring about every 18 months between overhauls. Thus, we have seen a shift from many ROHs annually to an environment characterized by few ROHs annually and many SRAs. These new maintenance concepts have served the taxpayer well—both minimizing the expenditure of repair dollars, while at the same time substantially increasing the operational availability of our ships.

In view of this philosophy shift, and mindful of both cost and mobilization base considerations in 1985, we expanded the geographic area of consideration for ROHs and SRAs greater than six months. This has increased by 50% those overhauls available for coastwide competition. Previously, existing policy restricted bidding on a number of these ROHs/SRAs to the homeport area. We have also initiated significant policy changes to control growth in repair/overhaul contracts awarded. As reported to the Congress, growth is now less than 30% of the FY '82 level, and we intend to continue this downward trend. Specification packages for initial bids are now much more complete and definitive than previously. Use of firm fixed-price contracts is now the norm; and growth work is being opened to a separate fixed-price competition. As a result, while ship overhauls routinely came in above government estimates in 1982, they now are below our estimates. We are confident that these actions will continue to keep costs under control while increasing the opportunities for non-homeport ship repair facilities so important to maintaining the industrial base.

One of the challenges we have in maintaining a national industrial base is proper utilization of both large and small businesses. During the past few years, we have properly relied on the capabilities of small business. Now, we find that small business preferences are operating to the disadvantage of the larger firms. The distribution of work is:

PERCENT SMALL BUSINESS SET ASIDE (ROH/SRA/RATA)

	1981	1985
East Coast	13	17
SRA alone	0	16
West Coast	12	54
SRA alone	0.5	64

Our policies need to, and indeed do, take into account a reasonable distribution of work between these two facets of the private sector.

NAVAL SHIPYARDS

So far, my discussion has centered on the private sector role in ship repair. I would now like to share with you some of the major improvements we are making in our public shipyards.

Navy shipyards are large businesses in their own right. If they were a private corporation, they would rank in the Fortune 100 based on both revenues ($4B per annum) and number of people employed (79,000). We sponsored a major review of our shipyard operations in our continuing effort to ensure effective and efficient business practices are in place in all our activities. As a result, we have reduced funding by $500M by reducing overtime and overhead costs and improving material and labor utilization practices. Further, we are now moving into our second year of public/private competition which will serve as a major incentive for improved public yard performance. Congress directed that, in FY 1986, four or more overhauls be competed between the public and private sectors. We have designated eight ships for competition. We expect these competition pressures to further reduce the cost of overhauls/repairs in the Naval shipyards.

SRAS IN HOMEPORT

Part of the cost growth problem associated with overhauls was due to your previous policy restricting overhauls and SRAs to homeport areas. As I have discussed, this policy has been revised by our initiatives to open overhauls to coastwide bidding and bid more ships in competition between the public and private sector. However, there has been interest by the industry to have additional or all SRAs subject to coastwide competition.

This is a bad idea. It is not required for mobilization considerations and would significantly reduce ship readiness and morale. For ROHs and SRAs greater than 6 months, we are able to offer the crews the opportunity to relocate with the ship. For the shorter SRAs, usually about 2 to 3 months, it makes sense to continue to compete bids in the homeport area only. This assures an adequate repair base in our homeport areas but more importantly it keeps the crews home with their families. Our crews are already required to be deployed away from their families more than we desire. They make this sacrifice because of the importance of the task. Increasing their time away from home, in many cases just before or after completion of an overseas deployment, will have a very serious adverse impact on their morale and the quality of family life.

Further, any change to our current policy could have a very serious impact on readiness. During these short SRAs, the non-engineers in the crew make extensive use of the shore training facilities to sharpen their warfare skills by day and return, on duty days, to the ships for duty at night. Bidding SRAs coastwide would deny many ships use of the shore training sites and result in degraded readiness. Work-arounds to this situation would be costly and would again dramatically impact family life.

I believe we have responded responsibly to the changing economic conditions in the ship repair industry while at the same time recognizing the needs of our Navy families and the maintenance of shipboard readiness levels. Our new policies need to be given the opportunity to work; if further change appears required we have the administrative means necessary to alter existing policy as we have done in the past. Indeed, it is in our best interest to do so. Such changes should be made only after full consideration of all the facts and not isolated parochial interests.

The positive management actions taken by the Navy during the past year designed to improve our readiness through a process of expanded competition and communication while assuring maintenance of a viable ship repair mobilization base.

As I testified before the Seapower Subcommittee on the 19th of February, on behalf of our ships crews and their families, I remain very grateful for the continued support given by members present here today in maintaining our management flexibility to deal reasonably and responsibly with facets of the complex issue of ship overhaul and repair.

Mr. HUTTO. Thank you very much, Mr. Secretary. At this time we will have questions to Mr. Pyatt, and then after that we will have four other people who are connected with ship repair.

Mr. Chairman, since you have another engagement, would you like to ask some questions here?

Mr. BENNETT. Yes, I just wanted to ask one question. Was there a decision in Congress last year to allow a little different situation on the west coast sort of as a test because the people wanted to do things differently on the west coast?

Mr. PYATT. Yes, sir. One of the ideas that was discussed last year was allowing SRA's on reserve ships to be bid coastwide. Our feeling on that was that reserve ships do not deploy, and the active crew on it may want to get out of town for a while.

This looked to be a specific situation where a different set of rules could apply.

Mr. BENNETT. Is that the law now, for the future, or is that something being tested?

Mr. PYATT. That is in the 1986 appropriations report.

Mr. BENNETT. There is nothing about the west coast versus the east coast that are the same?

Mr. PYATT. No, the east coast has a little different—it came out of the negotiations that on the east coast the conditions are if they are coastwide, if they are not colocated with homeport and active fleet.

Mr. BENNETT. I have no further questions. Thank you.

Mr. HUTTO. OK, thank you, Mr. Chairman. Mr. Secretary for clarification purposes would you briefly describe the differences between an overhaul, a selected restricted availability and a phased maintenance availability?

Mr. PYATT. Yes, sir. An overhaul is major repairs on major combat systems, all the system alterations and modernization. You would normally expect to see the work in a destroyer to range in the $20 million and up category, and in a submarine it could be over $100 million.

It occurs infrequently at 5- or 8-year intervals depending upon the class of ship, and in almost always greater in length than 6 months. Some small ships could be less, but a major combatant of the fleet could be a year or more in overhaul.

Selected restricted availabilities, these are minor repair work, small alterations, maintenance that is preplanned on an interval that you have to get in to look at something at intervals normally every 18 months, but it does vary with ship class.

Let's see, you asked about phased maintenance, too. Phased maintenance is a concept applied mostly to logistic support ships where ship maintenance is based on the philosophies of commercial ships. They come in, very little work, very short interval, doing maintenance not repairs in a preplanned manner.

Mr. HUTTO. OK, thank you. Mr. Spence.

Mr. SPENCE. Thank you, Mr. Chairman, just one brief question too for clarification purposes I guess you might say. You talked about the interport differential costs. Could you give us some examples of these kinds of costs?

Mr. PYATT. The concept of in interport differential is the cost that occurs to move from one home port to an overhaul done in another area. The idea is to include fuel costs, the directly related cost, the cost of managing because maybe the Navy does not have a facility at that particular site to do it.

Then we got involved in a gray area with the GAO, and we finally threw up our hands and said we give up. They wanted us to calculate the cost associated with moving the crew around. We started looking at the data, and we found out that varies all over the place.

The crew may or may not largely go with the ship. There may be a lot of turmoil. Finally, we just examined overhaul. We went back and we looked at the last several years, and we discovered the interport differential cost the way we were calculating it was small enough that they never impacted the decision anyway, and then we said, we quit.

Senator Hatfield brought that issue to our attention. I commissioned a study by our audit service, and they made the recommendation to quit. Senator Hatfield incorporated that into the appropriation language, and for overhauls we supported it.

SRA's are a different case because the likely value of interport differential compared to the cost of doing the work is a substantial faction, and it could very well be the determining factor. We still do not know how to calculate it.

Mr. HUTTO. Mr. Foglietta.

Mr. FOGLIETTA. I yield. I would like to yield to Mr. Sisisky. He has to leave for another meeting.

Mr. HUTTO. Mr. Sisisky.

Mr. SISISKY. I thank you, Mr. Chairman. We have another meeting. It is strategic home porting which I have a slight interest in. It will start at 9:30 so I will just ask a few questions.

Mr. PYATT. That is a fine idea. I hope you will support it, sir.

Mr. SISISKY. It is not a fine idea, and I do not support it. [Laughter.]

Mr. HUTTO. I agree with the Secretary and I will be over there as soon as I can.

Mr. SISISKY. Well, that is your problem then. I will beat you.

Mr. Secretary, even though you could not distinguish the cost of interport differentials you said, and I know that would be very difficult, the real meaning of the problem though is the personnel, the morale of the personnel.

These kids, and I know you have testified, and the Secretary of the Navy has testified that perhaps this year is the first time that we are going to reduce the time at sea at a promise made 5 years ago.

If you do that, then we are going to take them to another port. If I am correct in this, if it is less than 6 months, they do not get any allowance for travel or other things. So you know we have a morale problem no question about that with our people and the cost if they do not reenlist I guess would be a very high cost.

The thing that rings about this whole thing is, the argument is competition. It creates competition. Do you really have any problem with competition in the homeports, and I am talking about the big homeports? Is there any problem?

I know in the area that I represent there is plenty competition down there amongst themselves, and I would say probably on the west coast that is true also.

Mr. PYATT. We do not have a problem in competition in the homeports or in the homeports we are considering for strategic homeporting. There is competition there now, and I am sure with ships in those areas it would grow too.

We do not have a problem with competition, and I do not see the reason for most competition on the backs of the sailors.

Mr. SISISKY. Well, I am delighted that I can agree with you on that case. Now, I did not want to bring this up, but I think something is going to happen here a little later, and I just wanted to be sure that I am on the record.

It has to do with bidding between public yards and private yards. I want to be sure. You know you are going to hear some comment about a level playing field and everything, and I want to be sure that when we do bid those out that the accounting practices, the principles you use when competing a few or more yards against one another, but can you assure me that there are no hidden costs that are charged against public yards when you sort all this out.

For instance, the running of the apprentice schools which provide very talented people for private yards, the lodging that they have, enlisted men's barracks, officers barracks, enlisted men's clubs, and things like that, are they considered in the total cost of running the yard in the hourly charge?

Mr. PYATT. In the one we did last year, and that is the model from which we are trying to grow and evolve, we made a very careful effort to peel out what I call the mobilization cost associated with the shipyard maintaining of a lot of excess capacity and get it down to the fundamentals of what is necessary to overhaul that particular ship in both a direct and indirect components of cost.

We are required in the law to make that certification. We made it last year. We will have to make it again this year. While I cannot guarantee perfection, I can say that we are very sensitive to that problem.

We do not want to penalize either side. You know one makes a profit and pays taxes, and the other one does not. We have to consider that, but our prime focus is going to be on the cost of doing the overhaul.

We do not want to burden either side unfairly. In the event that any member hears of an unfair challenge, we want to hear about it, but we employed an accounting firm to do the west coast analysis to make it fair.

We had no significant complaints. We will do the same thing in the competitions this year, and do the best we can do.

Mr. SISISKY. Very good. I thank you very much. I thank you for your courtesy, Mr. Chairman, and I will be back.

Mr. HUTTO. Thank you, Mr. Sisisky. Mr. Hunter.

Mr. HUNTER. Thank you, Mr. Chairman. Mr. Pyatt, it is good to be with you this morning. I liked your feelings on the SRA policy, and I think that it is a policy that really should be driven by the people aspect more than anything else, the idea of keeping Navy families together. I like the idea of your promoting of that.

On the interport differential, if I understand it correctly, interport differential is made up of a couple of things. It is made up of a Navy cost if you have to send—say you have got an area where you do not have a Navy SUPSHIP. You have to send personnel up there perhaps and establish that, and that is a direct cost of the Navy that you associate with that job.

Then you also have the cost of moving the ship, actually paying for fuel, and steaming the ship up there. Then you also have the cost of moving the Navy families if there are families to be moved.

I understand for example that if you move Navy families 2,000 or 3,000 miles in this country coastwise that can add to as much as $5,000 per family in moving costs, direct cost to the Navy.

I guess my question to you is in previous competitions Members of Congress have asked you what does it cost, or asked the Navy what does it cost, and they have come right back within a day or so and said, here it is right here. We have got 100 families moving. It is going to cost approximately $5,000.

You have got $500,000 involved in direct cost of moving, and here is what it costs for the SUPSHIP. It has not been difficult to calculate. You said now that you think that that is an insurmountable calculation to make, but it is a real cost nonetheless.

The taxpayers are paying for that fuel. They are paying to move those Navy families besides the people costs that the families themselves pay and being separated or moved from their home base.

Do you really think that you cannot possibly make that same calculation that you used to make for us on a fairly regular basis?

Mr. PYATT. No, the pieces of it are quite simple. Fuel is very easy. We got into a lot of subjectivity when we started talking about the cost of moving SUPSHIP's and providing supervision.

Retrospectively you can look back and see what it costs. In the area of moving the crews and their families the problem that we ran into is that when we looked back, and this is the problem that we had with the GAO, that when you look back at what happened, there was such a wide range of the percentage of families that moved from a very small percentage to a very large percentage. It was really hard to come up with an estimate that was believable enough that you could make a decision that firm A or firm B gets the award. It is just a lot of fuzz.

Mr. HUNTER. But there are some hard facts or figures you can use.

Mr. PYATT. Oh, fuel is very easy.

Mr. HUNTER. I understand you are going to be using those on the east coast because I think that the agreement that was made within the House-Senate conference was to take a 1-year study and not count it on the west coast but count it on the east coast. Is that your understanding?

Mr. PYATT. Yes.

Mr. HUNTER. OK, so you are going to have to make them for the east coast or you are not going to have an opportunity to say that they are too fuzzy or you cannot quite come up with an answer.

Mr. PYATT. Well, again, I will still say they are too fuzzy. You may have to make them.

Mr. HUNTER. OK.

Mr. PYATT. It will not be the first set of numbers that I have put together that I do not believe.

Mr. HUNTER. One last question. It is just touches a subject that is not a primary subject today, but you have submitted to myself and Mr. Sisisky a list of shipyard, naval shipyard man-day rates.

Mr. PYATT. Yes, sir.

Mr. HUNTER. One question that I had on that and we have discussed earlier, Secretary Goodrich at one time he had one list of rates that went up to $450 and a little beyond.

They are there. You said that they are not considered good rates, but whatever information it is, you have agreed to give me that with any caveats you want to attach it.

Mr. PYATT. Yes, sir.

Mr. HUNTER. The question I have on it is that I understand that the main difference between private and public rates is usually reflected in the indirect labor rates. That comes from our conversations previously that you may have the same $10 or $12 per hour rate, but generally speaking with retirement and a lot of other things figured in, the public employer tends to pay more in the indirect manner. Is that so, and could you describe that?

Mr. PYATT. It varies widely between operations. It is hard to make a generalization, but I think the studies that I have seen say that the cost of civilians, blue collar civilians in the Government are more than the cost of the same people in the private sector, and it is primarily indirect. That is the OMB studies on the subject.

It is primarily retirement and the fringe benefits. It runs in the 10 to 15 percent category. It is also compounded by the wage setting mechanism of the civil service which I understand is in the process of being changed to be a little more realistic.

Mr. HUNTER. OK. Thank you, Mr. Chairman.

Mr. HUTTO. Thank you, Mr. Hunter. Mr. Foglietta.

Mr. FOGLIETTA. I thank you, Mr. Chairman. I thank you, Secretary Pyatt, for your discourse this morning. Let me say that preliminarily that I am perfectly satisfied and happy with the situation we now have at the Philadelphia Naval Shipyard.

We hope that it could be better, but we understand the circumstances. However, in our area we do have private shipyards who happen to be in the unenviable location of being over too far north of Norfolk and too far south of Staten Island.

I was interested to hear your statements concerning competition. That competition is good, and competition is what we are striving for. On the other hand you do say that competition does exist within the geographical area of the homeports as they now are throughout the country.

What is the possibility that—well, let me ask you this question. In the event that you find that there is sufficient competition, what is the policy of the Navy, and what are the criteria they use to determine whether or not there is sufficient competition?

Mr. PYATT. The criteria is to look at how many bids you got on a proposal, or how many proposals you have got on a bid request, and see if it is two or three or more. If it is, you have competition and the prices are reasonable. That is kind of the first order of test.

Then after that you get into considerations like I started out my discussion with worrying about the national mobilization base. You know how to keep it as best you can.

I know in the Philadelphia area the ships that are in the Ready Reserve Force have turned out to be a major source of business outside the combatants.

They are a group of ships that we are buying from the open market in sort of fire sales. They need to be taken care of and homeported, and they too are a source of business. You know it all adds up.

So it is very much, that you have to look at the problem on a given situation and try to figure out what is appropriate to maintain a mobilization base and what is fair in the business environment.

Mr. FOGLIETTA. All right, let me ask you this.

Mr. PYATT. And take care of the sailors.

Mr. FOGLIETTA. In view of the fact that Mr. Sisisky, our colleague said that there are approximately 15 private yards within the geographical area of the Norfolk home porting district, that seems to be out as far as the Pennyslvania private yards are concerned. Is there any possibility of the Staten Island territory being expanded south when the battleship group becomes homeported there?

Mr. PYATT. You will have to persuade Mr. Sisisky that moving the battle group to Staten Island is a good idea, and then we can go from there, but both the AOE's in New Jersey at Earl, there is some possibility there.

For the Philadelphia area the biggest possibility is the Reserve Fleet because we periodically break them out for tests and for activities. I know a couple of shipyards up there doing quite a bit of business in picking up small jobs, but they all add up.

Mr. FOGLIETTA. I thank you, Mr. Secretary.

Mr. HUTTO. Thank you. Mr. Hartnett.

Mr. HARTNETT. Thank you, Mr. Chairman. Mr. Secretary. I too, want to welcome you here and join in this chorus of voices extending to you sincere appreciation and high praise for what you have done in your part in your watches, as the Navy calls, it to help really give us a combat ready Navy that is, I think, in far better shape than it has been in a long, long time.

Without sounding patronizing, although if you want to assume it's that, it's all right. I just want to tell you how much I appreciate what you have done.

Mr. PYATT. Thank you.

Mr. HARTNETT. A little bit about repair work, obviously I have in my district the Charleston Naval Shipyard and a few, only a few, private yards that are left. I am sure in most of my colleagues'districts that is the story. It is beginning to be more and more the rule rather than the exception that there are very few private yards left that have been able to stay in business that have any work at all.

I know that Senator Hatfield requested GAO to review estimated and actual cost to overhaul Navy ships at private yards. GAO issued a report called "Navy Maintenance, the Cost to Overhaul Navy Ships at Private Shipyards."

I think they submitted to the Senate Appropriations Committee some time around the first of the year, in January. They analyzed 105 ship overhauls performed at private yards between the years of 1982 and 1985.

Of these 105 overhauls I think 75 were like fixed price contracts and 30 or something were like cost type contracts. They found that the overhaul cost increased significantly between the time of the contract award and the actual contract completion.

There was like a 63-percent cost increase I think. That was among the fixed price category and about a 35-percent cost increase in the cost type category. The majority contract, 71 of the 75 of them were fixed price, 24 of the 30 were cost type.

They awarded at prices below the Government's estimate. Obviously it looked as though we could save some money. The private yards were going to do it more economically than the public yards.

The Charleston Shipyard, fixed price contracts were analyzed. There was a 58-percent cost increase from the award amount to final price among those contracts. On the average the award amount was 30 percent below the Government estimate, and that is why the contracts were awarded.

Of course when they are completed, we are talking about a 58-percent increase above what the Government estimate was. The analysis that GAO, their report is essentially a descriptive study, and it makes no recommendations. It does not draw any conclusions for the Navy.

It is sort of a here it is fact thing. You look at it. You do what you want to do, but three or four of the things, they found one that said the private shipyards consistently underbid internal Navy estimate. I mean they consistently do that whether they just pull a figure out of the air or whether they actually go into real estimates or whether the Navy changes.

The second thing is the contract costs tend to increase substantially from award to completion, another one of their findings. The third thing was that the cost increase generally resulted from two types of maintenance, growth work and new work.

Growth work was related to the original problem. New work was unanticipated and unrelated to the original task. The point is, Mr. Secretary, I think that you have been an advocate of both private and public yards, dividing the work to maintain a workforce at both.

Do you think that perhaps that the Navy, and again because of the, what is the thing that you just told me about? What do you call it that Hatfield did?

Mr. PYATT. The interport differential.

Mr. HARTNETT. Interport differential, are all these things factored in? Should the Navy use another means of estimating its actual costs to be consistently that significantly undercut by private yards and then contracts come in actually higher when they are completed? Where are we not getting an accurate estimate, Mr. Secretary, as to what the maintenance cost at private and public shipyards might be?

What do you think is the big breakdown in the accurate estimates of those two different costs?

Mr. PYATT. First of all, in any ship overhaul there is growth work and new work. We also did our study of the same data. Since I am somewhat parochial on the study, I will say that we did it better than they did.

The issue was when we started looking at some of it, there is an issue of the roots of growth work. All the new work is related to the Navy saying we want something done more than we anticipated. Sometimes because the contracts come in less, they say oh, well, here is something we have been wanting to fix. We have money now. We will fix it. That is the new work.

When we separated out the new work, we got a different picture. That is also discretionary in many cases. Growth work comes in when you open up a piece of machinery and say, oh, this is a bigger mess than I thought it was when we started. So there is more work involved. That is part of running the complex piece of machinery.

The Navy estimates on overhauls have been a little bit high, but not bad. When I took the same data and looked at it, what has happened during the period that I have been responsible for, since 1982, and what we discovered on that, we compared fixed price work and cost plus work which was one of the subsets of your questions, and discovered that in 1982 both fixed price and cost contracts tended to come in about—fixed price contracts about 8 percent above the Government estimate upon completion, excluding new work. Cost contracts came in about 11 percent above the Government estimate for all the ships that were done in the year around the country.

In fiscal year 1983, we put emphasis on controlling the cost contracts and controlling discretion. We had group of ships, and in that particular year the fixed price contracts came in about 10 percent above the Government estimate, and the cost contracts came in about 2 percent above the Government estimate.

In 1984 we were able to get screws on the system. The fixed price contracts completed came in about 80 percent of the Government estimate, 82 percent maybe, and the cost base contracts came in about 105 percent of the Government estimate.

So to me, that says that as we worked the system, worked our procedures, worked our specifications, we were able to fully utilize the theoretical advantages of fixed price contracting and hold the cost down. I am proud of that.

In the cost work it is harder. Sure enough, the results confirm the theory. All those go together. If I knew a real simple answer to your question, I would tell you. I do not, and a lot of things you have just got to look at different environments and different sections of the country, different bidding environments, different kinds of ships.

Every ship has its own characteristics. Each class of ship has it own characteristics and problems, and you have got to ask to go into that too.

Mr. HARTNETT. Thank you, Mr. Secretary. Thank you, Mr. Chairman.

Mr. HUTTO. Thank you, Mr. Hartnett. Mr. Bateman.

Mr. BATEMAN. Thank you, Mr. Chairman. Before I ask you my question I guess I ought to preface it with a comment that Mr. Sisisky and I probably represent more shipbuilders than anyone in the Congress. Mr. Sisisky though most probably work in a public shipyard, and in my instance most work in a private shipyard, but we have lots of friends who work in either.

We both of course want to be very much of assistance to our friends. In that context let me raise if I may the competition between the private yard and the public yard for overhauls and the kind of bid proposals that they receive.

My understanding is that notwithstanding the obvious differences that would exist between a public sector yard and a private sector yard, one paying no State or local taxes, not be required to make any profit to stay in business and just on and on from there as to differences, it strikes me as being unusual that both would be responding to identically the same requests for proposal or bid documents. Could you elucidate on that?

Mr. PYATT. Well, the basic activity of overhauling the ship is the same in both yards. The work package is the same. We are saying this is the kind of work we want done, and then the management activity of controlling and finding that work should be the same.

You get into the problems around the fringes when you start dealing with some civil service issues, the pay issues that we discussed this morning, and on the private sector you start dealing with the issues you discussed, the taxes and the profit motivation.

All I can say is on the Government yards there is a lot of excess capacity there for mobilization. It cost money but it is not related to overhaul on a given ship, but we all know it is there.

We try to separate it out. When I saw the complication of the competition we did on the west coast last year, I was a little surprised by it, but I guess I can come back to the point I made to Mr. Sisisky that we did it once. We had very few minor objections, none on fairness.

We had objections to, well, maybe it could have been this way or that way. But I will say that I could not get two accountants to agree on that point, and then they kind of dropped it, but I have been trying to tell both sides.

I know that in the particular case of the SSBN-640 competition, both sides are concerned that the other side is getting an unfair advantage. I have had a lot of calls in the last three or four days.

My answer has been if you have the name of somebody who has given either side an unfair advantage, give the name to us and we will fix that. I guess really to come back, we did it once successfully, and I think we can do it again based on the west coast experience.

Mr. BATEMAN. Well, I know, Mr. Secretary, that it is very much your objective in this to assure to both players that they play on an even field, and that no one is getting anything that the other one is not getting that would be material to the way they respond to the request.

Might it not be a good idea to furnish each of them with everything that the other one has received including even any followup questions and answers on clarification of the work described in that kind of thing?

Mr. PYATT. That is exactly the way it is done in the competition. We just went back to both parties. There were a series of questions raised by both parties out of the first round of the review of the specifications. Both parties got all the questions and all the answers the other one asked, and that is routine in a competition.

Mr. BATEMAN. If each party gets the same request for proposal, the same data describing the work to be done which obviously should be the case, and every other aspect of the proposal is the same, when they have responded, is there not some judgmental factor that then has to be made as to which do or do not have costs that are not necessarily reflected in the bid that they make because of the essential differences between being public and private?

Mr. PYATT. We are trying to get that covered in the proposal cost form to bring it out. Again, this is our second one. We did the first one and it seemed to work out. We have to take that into consideration, yes.

Mr. BATEMAN. Could I be indulged for just a moment longer, Mr. Chairman?

Mr. HUTTO. The gentleman is recognized.

Mr. BATEMAN. I wonder if there is any meaningful summary or overview or critique of the west coast competition of which you spoke that might be available for me to look at.

Mr. PYATT. Sure.

Mr. BATEMAN. I do not want proprietary information.

Mr. PYATT. No, and I have to watch in that one because there is legitimate proprietary information that I do not want to disclose, but I would be glad to provide that for the record.

Mr. BATEMAN. I would appreciate it.

[The following information was received for the record:]

The Navy's fiscal year 1985 Public versus Private competition program involved the Regular Overhauls (ROH) of U.S.S. *Duluth* (LPD 6) and U.S.S. *Cleveland* (LPD 7). The plan for the competition was designed so that each sector would overhaul one ship. The final "winner" of the competition is to be determined by inspection of the ships and review of the schedule and price data after completion of the work on each ship.

A solicitation for the overhaul of *Duluth* was issued to all interested west coast offerors on March 19, 1985 after the competition was synopsized in the Commerce Business Daily. Contract type was fixed price incentive. Proposals were received on June 3, 1985 from eight private and two public sector yards.

Each offeror was required to provide a technical proposal which described its capabilities in terms of technical approach, management approach and resources that would be applied. In addition, each offeror provided a separate, sealed price proposals. The procurement procedure called for opening only the price proposals of those offerors determined to have submitted a technically acceptable proposal. Award was to be made to the technically acceptable, responsible offeror which proposed the lower target price.

After the evaluation of initial technical proposals, it was determined necessary to enter into discussions. Written questions were asked of all offerors and written responses were received. Some offerors also provided a sealed best and final offer. The offerors' responses were evaluated and the price proposals of all technically acceptable offerors were opened. Northwest Marine Ironworks, Portland, OR, was determined to have the lowest proposed target price.

The Navy conducted a pre-award survey of Northwest Marine Iron Works prior to making an affirmative determination of contractor responsibility. After a thorough review, the contracting officer determined Northwest Marine Ironworks to be responsible and the apparent successful offeror. In accordance with the fiscal year 1985 Defense Appropriations Act, an analysis was completed which determined that public and private sector offerors had proposed comparable and direct and indirect costs. The contract was awarded to Northwest Marine Iron Works on August 19 at a price of $12,282,010.

The overhaul of *Cleveland* will be done by Long Beach Naval Shipyard, the successful public sector offeror. The overhaul began on April 7, 1986.

Industry representatives have been advised that cost comparability analysis will include a number of factors:

a. Mandated Navy Programs (deleted from public yards offers).
b. Military Personnel pay (added to public).
c. Building and facility depreciation (added to public).
d. Workmen's compensation (added to public).
e. Unemployment compensation (add to public).
f. Living barges/quarters (added to both as appropriate).
g. Real Estate Taxes (deleted from private).
h. SUPSHIP (added to both as appropriate).

Mr. HUTTO. Again, Mr. AuCoin, it is good to have you. Do you have any questions that you would like to ask the Secretary?

Mr. AUCOIN. Thank you, Mr. Chairman.

Mr. HUTTO. Sure.

Mr. AUCOIN. Thank you very much, Mr. Chairman. I certainly want to thank Mr. Bennett and Mr. Daniel and the ranking minority members for allowing me and inviting me to sit in with the committee today because of my own interest in the subject.

Mr. Secretary, it is good to see you today. I think we are having a good exchange of views, and I think this is going to be an informative session for all of us.

Mr. Secretary, I would first say that I was pleased to hear you indicate that you felt that the Navy's policy of bidding on a coastwide basis of overhaul jobs was a stroke for competition, and I agree with that and compliment you for that statement.

My concern is looking at the scheduled work of the Navy nationally as between overhauls and SRA's and phase maintenance work, it is clearly a very marked decline in overhaul work, and a very sharp acceleration in SRA's and PMA's.

The policy I think is clear to everyone who is interested in the subject that the Navy is moving away from overhauls and toward a larger number of these smaller work packages for management reasons of its own. I do not have any particular quarrel with that as a management concept, but my concern is and always has been is how can we go about, the Navy and the Congress, go about the job of assuring that whatever the work is, whether it is overhauls or some of these smaller work packages that two things are kept in mind.

That we strike a balance between these twin objectives, and they are twin objectives. One is the most vigorous competition that we can possibly get because that benefits the Navy, and it benefits the taxpayer.

Then second of course is the concern we all have for personnel, family separation, and the ability to maximize the extent to which Navy personnel can stay with the family. Both of those things are important, and it is not, I do not think it practical to look at one or the other to the exclusion of one or the other.

So my concern, while I compliment in what you have said about the laudatory aspects and benefits that come from an increased competition in coastwide bidding of overhauls, the very clear decline from 1982 nationally, 63 overhauls to an estimated 31 in 1987, while at the same time going in SRA's and phase maintenance work from 78 jobs in 1982 to 152 in 1987, is a significant thing.

It raises the question, can we introduce the same factors? Can we achieve the same goals with this clear change in management direction in how the Navy bids out its work, and what kind of packages? To what extent do we ensure that competition and personnel morale, and family considerations are kept in tact?

My concern is that as it stands now with phase maintenance work and SRA's largely committed to home port areas that you are going to have fewer bids, less competition. The Navy will get fewer bargains, perhaps inferior work, and I am interested in exploring any reasonable alternatives toward maximizing the competition in the smaller work package competitions, and in doing so in innovative ways that will ensure that these families are not unduly separated from their loved ones.

So that is the basis of my concern. That is why I have been interested in the subject in the beginning. Before I get into a specific question, I wonder, Mr. Secretary, if you could provide for the committee's record and for its use some kind of table if you would or outline of fleet operations schedules or deployment dates.

Some classes of ships are out 9 months at a time, others 3 to 4 months at a time. It ought to be possible to provide a list of vessels by type, class, broken down into east and west coast, how long they are out at sea and when they are scheduled to have maintenance and so forth, and then how long you estimate the repair jobs to be, 3 months, 6 months or whatever it might be.

With that kind of information I think we can begin to see what we have facing us. If you could provide that for the record, I know you cannot provide it today, but if you could provide it for the record, I think it would be instructive for everyone regardless of what their view may be on the subject. Could that be done, Mr. Secretary?

Mr. PYATT. We can provide by ship class a notional or 5-year operating cycle. We could not very easily provide it by hull number, but we can give it to you so you can understand the maintenance philosophy, the concepts, and when——

Mr. AuCOIN. Broken down along the lines, that is fine.

Mr. PYATT. Yes, when they are in operations, when they are deployed, what our notional schedule of overhauls and SRA's are. I would like to come back to one point that you raised about the decline in numbers. You also need to look at dollars.

Mr. AuCOIN. In overhauls?

Mr. PYATT. In overhauls. I would like to provide for the committee the dollars because while numbers are going down, dollars are making up for it. You need to look at both of them together. One is business activity level, opportunities, and the other is business volume.

[The following information was received for the record:]

We have provided an excerpt from OPNAVINST 4700.7G which provides the duration and interval between overhauls for each class of ship and also the number and duration of smaller availabilities accomplished between the overhauls.

REGULAR AND COMPLEX OVERHAUL DURATIONS AND INTERVALS

Ship type	Overhaul duration (months)	Overhaul interval (months)
BB 61 CL	12	84
CV 59/63/43 (excluding CV 41)	12	60
CV 41	(1)	(1)
CVN 65 CL:		
Reg COH	15	[2] 84
Refuel COH	24	
CVN 68 CL:		
Reg COH	15	[2] 84
Refuel COH	21	
CG 16/26 CL	10	60
CG 47 CL	7	60
CGN 9 CL:		
Reg COH	18	[2] 78
Refuel COH	21	
CGN 25/35 CL:		
Reg COH	16	[2] 78
Refuel COH	21	
CGN 36/38:		
Reg COH	15	[2] 78
Refuel COH	18	
DDG 2 CL	10	60
DDG 37 CL	10	60
DD 946	8	42
DD 963/DDG 993 CL	8	60
FFG 1 CL [3]	8	60
FFG 7 CL	(1)	(1)
FF 1037	8	60
FF 1040 [3]	8	60
FF 1052 CL (Active)	8	60
FF 1052 CL (NRF)	(4)	(4)
LCC [5]	7.5	54
LHA	10	54
LKA	7	54
LPD	9	54
LPH [5]	8	54
LSD 28 CL	10	54
LSD 36 CL	8	54
LSD 41 CL	(4)	(4)
LST	(4)	(4)
MSO	3	36
PHM	(1)	(1)
AD 14 CL	10	96
AD 37 CL	10	96
AD 41 CL	10	96
AR 5 CL	10	96
AS 11 CL (SSN)	10	96
AS 36 CL (SSN)	10	96
AS 39 CL (SSN)	10	96
AS 31 CL (FBM)	10	96
AE 21/26 CL	(4)	(4)
AFS	(4)	(4)
AGDS 2	12	60
AGSS	10	55
AO 51	7	48
AO 177 CL	(4)	(4)
AOE	(4)	(4)
AOR	(4)	(4)
ASR 7 CL	7	48
ASR 21 CL	10	72
ATF	5	37
ARS	5	42

REGULAR AND COMPLEX OVERHAUL DURATIONS AND INTERVALS—Continued

Ship type	Overhaul duration (months)	Overhaul interval (months)
ATS	6	42
AVT 16	10	60
SS	12	55
SSN 575 CL	20	55
SSN 578 CL	18	55
SSN 585/588 CL	16–18	55
SSN 594 CL	17–19	[2] 70
SSN 597	20	55
SSN 598/608 Cl	20	70
SSN 605	17	55
SSN 637 CL	16–18	[2] 84
SSN 671/685	20	70
SSN 688 CL	16-19	[2]84
SSBN 616/627/640 CL	20–22	[2], [6] 72–144
SSBN 726 CL	12	108

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[1] Progressive.

[2] Some nuclear ships may require a variance in overhaul interval depending on rate of fuel depletion.

[3] Overhauls during which split tube outer row baffles are installed in the boilers will be scheduled for 11 months.

[4] Phased maintenance.

[5] LCC 19 is on a progressive maintenance concept and LCC 20 is being considered for a Phased Maintenance Program. LPH class is scheduled to enter a Phased Maintenance Program starting in FY 86.

[6] SSBN 616/627/640 class operating cycles are approved for 144 month intervals after the second refueling. A 72 month interval is approval until the second refueling.

Selected Restricted Availability and Phased Maintenance Availability Schedule Requirements

1. *FF 1037/FF 1040/FF 1052/FFG 1/DDG 2/DDG 37/CG 16/CG 26/CG 47/DD 963/DDG 993.* Two Selected Restricted Availabilities (SRAs) of two months duration will be scheduled during the operating cycle.

2. *CGN 9/25/35/36/38.* One mid-cycle SRA of about 4 months duration to include an interim drydocking, and two additional SRAs of about 3 months duration.

3. *BB 61.* One mid-cycle SRA not to exceed three months duration, and two additional SRAs not to exceed 2 months duration.

4. *FFG 7.* The FFG 7 progressive maintenance consists of alternating one and one-half month (non-drydocking) and two month (drydocking) SRAs at 24 plus or minus 3 month intervals. The initial SRAs may be of longer duration to accommodate the backfit of those CNO-designated alterations which were not installed during construction. Modernization periods will be scheduled at 120 month intervals.

5. *SSBN.* For those ships on a 72–144 month overhaul cycle, the first SRA/ERP will be scheduled 48 to 54 months following delivery. The second and successive SRA/ERP will be scheduled at approximately 24-month intervals. ERPs will normally be two months in duration. No SRA/ERP will be scheduled within 18 months of an overhaul start. For those ships on a 144 month overhaul cycle an SRA/ERP will be scheduled at the 54 to 66 month point following overhaul and additional ERPs at 30 months thereafter. No SRA/ERPs are planned for the SSBN 726 class.

6. *SSN 594 CL/SSN 671/685.* All SSN on a 70-month Submarine Extended Overhaul Cycle (SEOC) cycle will be scheduled for SRA's of two months duration at intervals of 22 months (30 months maximum).

7. *SSN 637/688.* Those submarines on an 84-month SEOC cycle will be scheduled for 2 SRAs of 2 months duration at intervals of 24 to 32 months.

8. *CV.* Following each extended deployment, a two to four month SRA will be scheduled for each CV in order to accomplish major repairs and high priority SHIPALTS.

9. *CV 41.* CV 41 Progressive maintenance consists of short availabilities by a Ship Repair Facility (SRF).

10. *CVN 65/68.* Following each extended deployment, an SRA of about 3 months will be scheduled for each CVN in order to accomplish necessary repairs and high priority SHIPALTS. A mid-cycle SRA will be scheduled for approximately four months in duration to include an interim drydocking (IDD).

11. *LHA.* Prior to induction into EOC, the interdeployment maintenance period for each LHA will be scheduled as an SRA not to exceed two months duration.

12. *PHM.* PHM progressive overhaul consists of a 2 month SRA every 24 months. major modernizations are intended at the 120 month point.

13. *ASR 21.* An SRA will be scheduled for 2-4 months at cycle mid-point for rescue and diving recertification work and other depot level maintenance requirements.

14. *AD/AR/AS.* One docking SRA of 2-3 months duration will be scheduled at cycle mid-point.

15. *FF 1052 (NRF).* The NRF FF 1052 Phased Maintenance Program consists of three 3 month Phased Maintenance Availabilities (PMAs) and one 4-month docking PMA in a 60 month cycle.

16. *AE 21/AE 26.* The AE 21/26 Phased Maintenance Program consists of a two 3 month PMAs and one 4-month docking PMA in a 54 month cycle. The AEs will enter this program starting in FY 85.

17. *AFS.* The LANTFLT AFS Phased Maintenance Program consists of three 2-3 month PMAs and one 4 month docking PMA in a 60 month cycle. The PACFLT AFS Phased Maintenance Program consists of two 3 month PMAs and one 4 month PMA in a 54 month cycle.

18. *AO 177.* The AO 177 Phased Maintenance Program consists of two 2-3 month PMAs and one 3-4 month docking PMA in a 54 month cycle.

19. *AOE.* The AOE Phased Maintenance Program consists of 4 PMAs on a 72 month cycle. Alternate PMAs will include drydocking, one being of 4 month duration for routine drydock work and the other being of 3-4 month duration for underwater hull painting only. The remaining 2 PMAs will be of 3-4 month duration.

20. *AOR.* The AOR Phased Maintenance Program consists of two 3 month PMAs and one 4 month docking PMA in a 54 month cycle.

I would like to provide—I do not have it with me this morning, but provide for you so that——

Mr. AuCoin. You mean the dollar value of those jobs?

Mr. Pyatt. The distribution between, of dollars between SRA's and overhauls as well as the number of opportunities that you have raised.

Mr. Hutto. If you would provide that for us.

Mr. Pyatt. Yes, sir.

Mr. Hutto. We would appreciate it. Mr. AuCoin, did you have another question?

[The following information was received for the record:]

SHIP MAINTENANCE AND MODERNIZATION

[In millions of dollars]

	Fiscal year—		
	1985	1986	1987
Overhauls:			
Public	$2,465.9	$2,485.1	$2,334.5
Private	734.9	556.4	507.6
Total	3,200.8	3,041.5	2,842.1
SRA/PMA:			
Public	439.9	419.6	490.6
Private	563.0	655.6	858.8
Total	1,002.9	1,075.2	1,349.4
Other:			
Public	691.9	140.3	80.1
Private	530.1	525.2	479.1
Total	1,222.0	665.5	559.2

SHIP MAINTENANCE AND MODERNIZATION—Continued

[In millions of dollars]

	Fiscal year—		
	1985	1986	1987
Public/private competition 29.6	539.9	737.0	
Grand total	5,455.3	5,322.1	5,487.7

Mr. AuCoin. Could I ask a couple more questions, Mr. Chairman? Would that be agreeable?

Mr. Hutto. Without objection.

Mr. AuCoin. I appreciate that. Mr. Secretary, what I am concerned about is that with regard to SRA's and phase maintenance work that we truly do try to achieve the most aggressive kind of competition that we can, and do so within the framework of those personnel considerations that I mentioned.

Let me come to that. In response to an earlier question you indicated—I think the question was what do you consider healthy competition. You said well, two or three bids on a job. I guess my question to you is if two or three bids on a job represents reasonably good competition and better than one bid.

Mr. Pyatt. One bid is not competition. We send that back.

Mr. AuCoin. That is not competition. So if that is the case, it would seem to me that even a larger number than two or three would provide a context for even more aggressive competition.

Here is the point. When you look at commercial work on the west coast, typically the number of yards who are in the bidding process are between 12, 13, and 14 per job. What I am concerned about is that when you look some of the Navy work where the work is done within the homeport context among yards that have that advantage, in 1984, I will give you the specific figures on the west coast.

Where is that? Yes, in the second quarter of 1985 on the west coast, and this is reasonably typical, on five repair contracts in homeport restricted areas, only two yards bid on four of them, in four cases only two bids. Then in one case there was three bids.

Now, when you compare that to you know 8, 12, 13, 14 bids on coastwide commercially bid work, I think the Navy is loosing out on the opportunity for competition. Let me just add one other thing to that.

I want to tuck a subset into that question, and that is this question of the interport differential. I know we have discussed this, my friends in California and I and others on this committee, but I would submit that the interport differential is an investments in competition that pays for itself through the aggressive competition it can induce.

I am saying elimination of the interport differential. My concern is that if we do not do that, you are going to see a lot of nonhomeport yards go completely out of business. Work will go to other yards where you end up with cost overruns, and that which you save, you think you are saving through savings by not having to put outlays in interport differentials is lost in the final result of the work as laid out in the GAO's report from 1986 which Mr. Hartnett referred to a few minutes ago.

In that report it says that in looking at 105 contracts from 1983 to 1984 lowballing occurred in 95 of the fixed price contracts, 80 percnet of the cost plus contracts of those 105 contracts, and that total fixed price work was award at $594 million, but the final cost was $967 million.

That is a 67-percent increase over the original bid. Now, you can attribute that to a lot of different things, but it seems to me that the degree to which we can increase the number of yards who are in the bidding process, the more all yards are going to have to sharpen the pencil, the less you are going to see facts of this kind be reported and have to be dealt with, and the better bargain you are going to get for the taxpayer. So there is a question and a subset.

Mr. Pyatt. I cannot remember it all. I think I would like to come back to a couple of points. One is that there is also—I think your comparison between Navy ships and merchant ships is ill-founded. The work is different. The group of people who do the work in merchant ships are different. When we run our——

Mr. AuCoin. Well, I am not talking about the increased number bidding. Competition is all I am talking about.

Mr. Pyatt. I know but I am just saying that of that 12, and we see the same when we do our MSC ships, the same people, but of that group, there is a chunk of them that just are not prepared to do Navy work, combatant ship work. So we need to watch that.

On the issue on competition, many people around this room know that I am an advocate of competition at every feasible turn. Some people have said that I am absolutely nuts on the subject. I like that, but there has to also be—you have to consider the situation you are in.

I think you started out phrasing the problem that we have two competing priorities, getting the most for our dollar through a business mechanism and treating our sailors fairly. You stated the priorities differently than I would. I would put treating the sailors fairly first and then——

Mr. AuCoin. Oh, I was not ranking them, Mr. Secretary.

Mr. Pyatt. Oh, I am sorry. You said one and two, and I misunderstood.

Mr. AuCoin. That was just the order in which I mentioned them earlier.

Mr. Pyatt. But they are problems that you just sort of have to sort your way through. Discussions like this are a good way to air the issue and to sort it out.

Mr. AuCoin. Well, Mr. Secretary, and Mr. Chairman, this is the last question. I guess it just seems to me that when you have—let's see you assume about, one can assume about 150 as I understand it SRA and phase maintenance opportunities nationally in 1987.

I am given to understand that about 100 of those will go to the east coast and about 50 to the west coast. It just seems to me that the Navy ought to be able with keeping the sailor's interest foremost in mind, ought to be able to look at the total number of those jobs, calculate how many of those ships have not been out at sea for 6 months and only at home for 2 weeks, and how many of them could be subjected to coastwide bidding in the interest of competition because of the diminishment of family separation based on the actual sailing, performance schedule of the ships.

Even a small percentage, a small percentage, 5 percent, 10 percent of that work if bid coastwide, I think would begin to produce some increased competition, cost savings, sharp penciling, and laudatory results for the Navy and for the taxpayer.

Mr. PYATT. We will have an opportunity to test that in the upcoming year with the reserve ships. To have SRA's bid coastwide without penalizing crews.

Mr. AUCOIN. I am glad you mentioned that because that was my understanding too that with regard to Navy Reserve ships, since you do not have the crew problem that on a national basis those will be bid coastwide.

Mr. PYATT. Yes, sir.

Mr. AUCOIN. I was confused earlier. I thought you indicated that you were not going to do that.

Mr. PYATT. No, sir.

Mr. AUCOIN. Congress indicated that you should do that.

Mr. PYATT. What is said in that category of ships and in the category of ships with SRA's longer than 6 months is that we have looked at the competing problems, and said that in these two cases, it is fine.

We are perfectly willing to look. We know we have the problem maintaining a mobilization base. We know we have the problem of maintaining in the Navy a good working environment, and we are prepared to sort through issues as they come up. I do not think that anyone will say that we are not.

Mr. AUCOIN. Well, I am saying that you are not either. I am trying to explore ways within the context of the importance of personnel and their welfare, trying to maximize competitiveness because this year that we are in I think that is absolutely crucial.

I am glad to hear you indicate that the Navy is going to follow the Congress' direction on the Navy Reserve SRA's being bid coastwide, but I still would just plant this idea. The 150 some such number of these work packages in the regular Navy next year, it really ought to be possible, and in future years with similar numbers.

It ought to be possible to look at those ships in question and see where they have been and what they have been doing, to see those opportunities where the crew has not been separated because of its sailing schedules and so forth from the family too long, and to be able to try to maximize with in that category.

It may be only a small percentage, the number that have been coastwide. I think you are going to end up with bargain prices, better competition, better work as a result.

Mr. PYATT. Let's see how the SRA's on the Reserves work out, see if the theory is substantiated by results.

Mr. HUTTO. Thank you, Mr. AuCoin.

Mr. PYATT. As a result of SRA's.

Mr. AUCOIN. Thank you, Mr. Chairman.

Mr. HUTTO. Mr. Hunter, you had a follow-on question on this subject?

Mr. HUNTER. Yes, Mr. Chairman, thank you.

My good friend mentioned that interport differential could be considered as an investment in competition. It seems to me that it would be a part of the competition if the cost were included, and if there were cost that could, some of the cost that mentioned that could be easily defined.

For example, I think you said essentially the Navy has to in some cases put extra offices and dedicate extra personnel to another area where you are going to move the ships. Then you count also the cost of moving the ship, the fuel and perhaps the moving cost for the families that will be moved up at so many thousand dollars per family.

You said some of these costs are pretty fuzzy and pretty tough to calculate, but some of them are pretty easy to calculate. I guess my question is, Would it be advisable to come up with a package of the cost that you could calculate and utilize them for the interport differential, and if you have got a couple of factors that are very fuzzy that you think tend to make the equation a little difficult to put together, then you could exclude those, but could you come up with the easy one like fuel and other things?

Mr. Pyatt. Well, fuel was the only easy one.

Mr. Hunter. How about moving costs for the family?

Mr. Pyatt. Moving costs I think are impossible.

Mr. Hunter. Why is that?

Mr. Pyatt. Because of the distribution we found in looking at what actually happened and it varied so much from ship to ship. In some cases a large fraction of the ship moved. In other cases a large fraction of the ship was reassigned to another ship, and did not move.

I would be totally unwilling to face the Armed Services Board of Contract Appeals and say we awarded to this company because they won with this background. I just could not be intellectually honest and do it.

Mr. Hunter. Sure, but you could do it on the fuel cost?

Mr. Pyatt. Oh, fuel cost is straightforward.

Mr. Hunter. Do you not think that the fuel cost for example in that case, if you are talking competition.

Mr. Pyatt. Yes.

Mr. Hunter. If fuel for moving the ship from point A to B is $200,000 or $500,000, and you have a competition where one party bids $10,100,000 and the other party bids $10,200,000, the taxpayers are going to pay less total counting fuel and the cost of repair with one of those contractors. Then it would seem to be completely consistent with the spirit of competition to add that hard cost, the fuel cost at least on to that competition. Would you not agree with me?

Mr. Pyatt. When I went back and looked at the results of 3 or 4 years of operation under those rules, I discovered that there had been no case of a decision being changed. The fuzziness that it added into defending a decision, that the Navy had to defend a decision based on it, it left us in a very difficult situation, and that is why for overhauls where it just seemed to be a reasonable thing to drop out and a debate to avoid.

Mr. Hunter. Well, the reason that I mentioned that to you——

Mr. Pyatt. On SRA's it is bound to be different because the amount of work is much less. The bids are likely to be much closer together, and $100,000 for fuel can be a determining factor.

Mr. Hunter. So you think the interport differential should be kept, if you were doing for example for Reserve SRA's or something like that?

Mr. Pyatt. Well, on the Reserve SRA's, I think the crew is getting a break in going for a cruise, but on an active ship, I think it should be considered. It is likely to be a significant factor.

Mr. Hunter. OK.

Mr. Pyatt. Even just fuel.

Mr. Hunter. Well, I guess my point is then if historically it has not been a factor, I think that the people that feel that the interport differential is an unfair factor to be considered in competition do not have as much to worry about as they thin.

If you had not had those close competitions as a matter of history, then it is not a threat.

Mr. AuCoin. Would the gentleman yield?

Mr. Pyatt. Overhaul work is much bigger in dollar value than an individual cost.

Mr. Hunter. Let me just finish this and let me yield to my friend from Oregon. I know he has got a question or two also.

If you could come up with just the hard costs that you said are easy and they are fair, and I mean fuel you could get it from point A to point B, how many thousand gallons down to the tenth of a gallon or whatever, you could have a—that is not a fuzzy cost.

Mr. Pyatt. No.

Mr. Hunter. And you could stick that in, and it is not going to be a fairly high cost either, and it would seem that that would inject more fairness into the competition. As you say in very few cases would that have any effect, but at least it is there.

I think it is something that the taxpayers are paying for, and they should be attributed to the overhaul. Do you agree with that basic proposition?

Mr. Pyatt. As an element of accounting I do, but as an element of going through and looking at the policy on overhauls and the policy on comparison, it left us in a very difficult situation in the event an award was made on those grounds.

Mr. Hunter. Mr. Chairman, I know Mr. AuCoin wanted to respond.

Mr. Hutto. Gentlemen, your time has expired. Mr. AuCoin, do you have a burning question you want to ask now, or do you want to submit for the record?

Mr. AuCoin. Mr. Chairman, I would only say that I think Mr. Pyatt made it clear, and I want to repeat it now after listening to my colleague from California. That is with regard to the smaller work packages, the absence or the presence of the interport differential unlike cases of overhauls could be a determinant because you have smaller jobs. The dollar amount is less, and the differential could be a deciding factor.

That is one of the reasons why I believe the principle of excluding the interport differential for that work too is important so that we do not end up seeing some shipyards coming in with costs that are 100 percent over what they originally bid.

Mr. HUTTO. OK, Mr. Secretary, the subcommittee will have some more questions to submit to you if you could respond for the record.

Mr. PYATT. Yes, sir.

Mr. HUTTO. We thank you very much for being here with us and for your testimony today.

Mr. PYATT. Thank you. It was a pleasure.

Mr. HUTTO. Thank you.

I would like to call forth the four gentlemen who are scheduled. If all four of you would just come to the table, please, Mr. Bowers, Mr. Wardwell, Mr. Jones, and Mr. Beall or Bell?

Mr. BEALL. Beall.

Mr. HUTTO. Beall.

It is good to have all of you, and we do have your statements, and, without objection, your complete statements will be entered into the record. If you could each summarize, and then we will have some questions for you.

And Mr. Bowers is president of the South Tidewater Association of Ship Repairers.

Mr. Bowers, could you summarize your statement?

STATEMENT OF GARY M. BOWERS, PRESIDENT OF SOUTH TIDEWATER ASSOCIATION OF SHIP REPAIRERS, INC.

Mr. BOWERS. Yes, I would be glad to do that.

My name is Gary Bowers. I am president of the South Tidewater Association of Ship Repairers.

Mr. Chairman, I have submitted my written statement, and I will quickly go over the highlights here.

Our trade association represents all of the private shipyards located in the south Hampton Roads area as well as major marine subcontractors and suppliers who support our shipyards. The companies in our association employ over 8,000 people.

In the south Tidewater area, we have 16 master ship repair contractors. Six of these regularly bid on SRA's. These shipyards have significant capital investments in plant and equipment necessary to handle the Navy's repair requirements. Since 1981, the Norfolk private shipyards have made capital investments of over $95 million. The Navy's own data shows that between February of 1982 and December of 1985, we completed all overhauls ahead of the CNO's overhaul completion date.

The importance of performing quality work inside the home port was demonstrated when the U.S.S. *San Diego* sailed with the Grenada invasion force and performed flawlessly less than 30 days after completing the repair availability.

Mr. Chairman and members of the committee, we believe that the same reasons behond the home port policy stated by CNO in 1971 equally apply today. Briefly, these were to minimize the hardships due to family separations, reduce overhaul and repair costs to the Navy, and permit the ships to remain in close proximity to the necessary in-place organic support facilities.

The South Tidewater Association of Ship Repairers strongly supports Secretary Pyatt's current repair policies, as he enunciated this morning, and hope that the committee will support a strong home port policy and will consider all cost when the Navy's ships are taken out of the home ports. I think when you consider the business need of the shipyards outside the home port area, you must compare against that need the real live cost paid by Navy personnel in the fleet and their families.

For that reason, I think that perhaps and some of the other people testifying here today may be the wrong people for you to talk to. We all have our business needs, our bureaucratic needs to protect. For this reason, I would like to put in the record and suggest that you call before this committee master chief petty officer of the Navy Bill Plackett. Mr. Plackett as the senior enlisted man in the Navy can give you a full disclosure of the actual difficulties that are caused by the separations, both in the normal line of duty and in being called out of the home port when the overhauls are put in place.

Thank you.

PREPARED STATEMENT OF GARY M. BOWERS

My name is Gary Bowers and I am President of the South Tidewater Association of Ship Repairers. Our trade association represents all of the private shipyards located in the south Hampton Roads area as well as the major marine subcontractors and suppliers wiso support our shipyards. The companies in our Association employ over 8,000 people and represents one of the largest single sources of private employment in the Norfolk area.

I appreciate the opportunity to testify before your Committee on the issue of accomplishing overhauls outside of the ships homeport and on the related issue of what constitutes interport differential costs. These issues are all too often filled with emotion and have received much attention by the Congress, the Navy and the ship repair industry.

The high quality of performance of the shipyards in the Norfolk homeport area can be summarized from the Navy's own data. The data shows that during the period of February 1982 through December 1985, Norfolk private shipyards completed all overhauls ahead of the Chief of Naval Operations overhaul completion dates. The criticality of performing this work in the homeport and the importance of quality work to the Navy were demonstrated when U.S.S. *San Diego* sailed with the Grenada invasion force and performed flawlessly, less than thirty days after completing a repair availability.

The demanding standards to meet the special technical needs of the Navy have been developed and perfected by the Norfolk shipyards over a period of many years. Equally important is the fact that these shipyards have made the significant capital investments in plant and equipment necessary to handle the Navy's homeport overhaul and repair requirements. Since 1981 the Norfolk private shipyards have made capital investments of over 95 million dollars.

Those who are advocating either the expansion of the territorial definition of the homeport and/or the performance of SRAs out of the homeport area argue that these changes are needed to provide competition. For the Hampton Roads area this is not an accurate statement. There are six shipyards located in the south Hampton Roads area who competitively bid on SRAs. In addition, there are 10 other commercial firms who hold Master Ship Repair Agreements (MSRs) and competitively bid along with the 6 shipyards on Restricted Availabilities (RAVs) and other emergency repair work. I believe the Navy's Supervisor of Shipbuilding and Repair, who is responsible for the contracting of overhaul and repair work in the Norfolk area, also would confirm that there is keen competition in this homeport area.

Gentlemen, it is not for lack of performance, lack of management and financial commitment or lack of a competitive environment that this work would be withdrawn from the South Tidewater area shipyards. Neither would this work be removed from the homeport by the Navy who has a significant capital investment in the logistics, morale, and health facilities that they have by design centralized in the homeport area. The Navy's position on the issue of performing Selected Restricted Availabilities (SRAs) in the ships' homeport repeatedly has been made clear as in the letter dated October 29, 1985 from the Assistant Secretary of the Navy (Shipbuilding and Logistics) to the Honorable Charles E. Bennett, Chairman of this Subcommittee and in his testimony on February 19, 1986.

This Association wholeheartedly agrees not only with Mr. Pyatt's letter but also with his testimony on February 19, 1986 before your Committee. During his testimony he applauded the Committee's help in preserving the Navy's practice of restricting the bidding on SRAs to the homeport areas.

In this regard the Navy's "Homeport Policy" established by the Chief of Naval Operations in 1971 appears to be equally applicable in 1986. It required . . . "the maximum possible amount of ship maintenance to be performed in the vessel's homeport. . . ." The Navy's stated purpose of the policy was to:

Minimize hardships due to family separations;

Assist in maintaining the quality of Navy life at an acceptable level;

Help improve and maintain personnel retention;

Significantly reduce overhaul and repair costs to the Navy;

Permit the ship to remain in close proximity to the necessary in-place organic support-supply center, fuel depot, training schools, hospital, commissary, exchanges, etc., and

Provide a responsive ship repair capability in the homeport area to meet both scheduled overhauls and emergency repairs.

The reason for the pressure to do Navy repair work outside the homeport is purely business. Yards outside the homeport want part of the action. However, this action is being requested on the basis that you should not consider all costs associated with moving the work to their geographic area. Implementation of the Navy's strategic homeporting concept coupled with a decision to compete even short duration SRAs on a coast-wide basis would lead to chaos. Conceivably, ships homeported in New York could be overhauled in Charleston and ships in Charleston could be overhauled in Norfolk.

When you consider the business need of these shipyards outside the homeport area you must compare against that need the real life costs paid by Navy personnel in the fleet and their families. Perhaps myself and my colleagues testifying here today are the wrong people for you to talk to. We all have our business and bureaucratic needs to protect. For this reason, I suggest that you talk to the Master Chief of the Navy William Plackett. Master Chief Plackett, as the top enlisted man in the Navy, has no vested interest in this issue except the welfare of enlisted personnel and their families.

In summary, the shipyards in the Hampton Roads homeport area have the capacity to accomplish all Navy ship overhauls and in particular the short duration SRAs in a highly competitive business environment. These shipyards are very well equipped and possess a highly trained and experienced workforce. Collectively they constitute a prime National asset. They are a vital and responsive capability integral to the homeport concept in which the Navy has by design centralized its logistics support. Performance of SRAs in the ships homeport is the clear preference of the Navy because it is cost effective and is in the best interest of personnel retention and the overall morale and welfare of Navy personnel. When making cost comparisons of homeport versus non-homeport overhauls, all costs should be considered as would be expected in any sound business decision.

Mr. HUTTO. OK. Perhaps we can have him at some later date, hopefully.

Now we turn to Mr. Art Wardwell, who is the vice president of Port of San Diego Ship Repair Association.

Mr. Wardwell.

STATEMENT OF ARTHUR F. WARDWELL, VICE PRESIDENT, SAN DIEGO SHIP REPAIR ASSOCIATION

Mr. WARDWELL. Mr. Chairman, members of the subcommittee, a written copy of my complete testimony has been provided to your staff for insertion in the record. I will summarize my testimony and try not to repeat what my friend Gary has covered.

I am vice president of the San Diego Ship Repair Association. The association I represent consists of 10 San Diego master ship repair contractors and 20 of the 111 active subcontractors doing ship construction and repair work in San Diego. The combined employment of prime and subcontractor personnel is 7,000 with a capacity of 11,000.

Over the last 4 or 5 years, and under the guidance of Secretary Lehman, the Navy has increasingly stressed the concept of competition in the shipyard and ship repair business. We in San Diego, and in fact I think I can speak for the entire industry, are all in favor of true, fair competition. We heeded Secretary Lehman's advice and immediately initiated a number of facility construction programs. From 1982 to present, we have completed over $76 million in facility modernization, including two new waterfront shipyards and two 25,000-ton floating drydocks, all to try to keep home port ships and support the home port ships.

The Navy does not feel that the interport differential is a significant enough factor to include in its overall cost figures. When the Navy has recognized interport differentials, it appears that it has only recognized the cost of fuel for the movement of a ship from its home port to the repair yard.

We in San Diego are committed to competition and the benefits that a competitive marketplace could have for the American taxpayer. But true competition includes all the cost paid for by federal tax dollars.

Federal tax dollars are used to pay for the interport differential. We believe that this significant should be included in the bottom line of all Navy ship repairs.

Thank you.

PREPARED STATEMENT OF ARTHUR F. WARDWELL

My name is Arthur Wardwell. I am the Vice President of the San Diego Ship Repair Association. The association I represent consists of all ten San Diego Master Ship Repair contractors and twenty of the one-hundred and eleven active subcontractors doing ship construction and repair work in San Diego. The combined employment of prime and subcontractor production personnel is 7,000.

The port of San Diego has a highly skilled workforce of approximately 11,000 workers with modern plants whose capacity is capable of surging to 16,000 men per day. By August 1986, we will only be employing 4,200 men per day, only 40% of the available work force.

Over the last 4 or 5 years and under the guidance of Secretary Lehman, the Navy has increasingly stressed the concept of competition in the shipbuilding and ship repair industry. We in San Diego, and in fact I think that I can speak for the entire industry, are all in favor of true, fair competition.

Assistant Secretary of the Navy George Sawyer spoke to a number of us in 1982 and suggested that San Diego could enhance its competitiveness by investing in more dry docks, pier berthing and facilities. We heeded that advice and immediately initiated a number of facility construction programs. The Port Director commissioned a comprehensive study by the firm Temple, Barker and Sloane to determine exactly what was needed. We acted upon the study's findings and undertook the largest capital expansion plan in the Industry. From 1982 to the present, we have completed over $76 million in facility modernization, including two new waterfront shipyards and two new 25,000 ton dry docks.

Other improvements undertaken include:

Port of San Diego: designated Pier 24-10 as a ship repair berth and invested approximately one million dollars in pier upgrades (e.g., steam, water, electrical power service, etc.)

Southwest Marine: invested approximately 45 million dollars in a new 25,000 ton floating dry dock and new pier facilities.

NASSCO: invested approximately 20 million dollars in a new 25,000 ton floating dry dock.

Continental Maritime: invested approximately 6 million dollars to purchase 14 acres of prime waterfront property and 18 acres of water/piers, and to convert the property to shipyard operations.

Triple A South: obtained a 2,800 ton floating dry dock and placed it into operation.

Campbell Shipyard: reactivated its MSR contract and upgraded its piers and commenced ship repair work.

Bay City Marine: invested approximately 4 million dollars to purchase and upgrade a waterfront facility.

Our actions in the San Diego area demonstrate better than any words the commitment we have to true competition, and the determination with which we all pursue it. As such, I have a problem with the Navy's assertion that its primary consideration in the awarding of repair contracts is competition.

The Navy does not feel that the interport differential is a significant enough factor to include it in its overall cost figures. When the Navy has recognized interport differential, it has looked only at the fuel costs associated with the movement of a ship to another port for work. As a true indicator of the costs of ship repair work to the Navy and, therefore, to the US taxpayer, and in the name of real competition, we in San Diego urge the Navy to use an expanded and more realistic definition of interport differential. This would include: dislocation allowances for personnel, shipping costs for transport of government-furnished material, travel costs to attend training schools located principally in San Diego, travel costs and lost time to commute to the nearest military health care facilities, and the loss of access to SIMA work facilities.

We in San Diego are committed to competition and the benefits that a competitive market place have for the American taxpayer. But true competion includes all the costs paid for by federal tax dollars. Federal tax dollars are used to pay for the interport differential. We believe that this significant cost should be included in the bottom line of all Navy ship repairs.

Mr. HUTTO. Thank you, Mr. Wardwell.

Now, Mr. Thomas P. Jones, manager of government affairs, Atlantic Marine, Inc., Atlantic Drydock Corp.

Mr. Jones.

STATEMENT OF THOMAS P. JONES, MANAGER OF GOVERNMENT AFFAIRS FOR ATLANTIC DRYDOCK CORP. AND ATLANTIC MARINE, INC., JACKSONVILLE, FL

Mr. JONES. Thank you, Mr. Chairman, distinguished members of the committee.

I am Thomas P. Jones. I represent ship repair and community interest in the Jacksonville, FL, area.

I have submitted my prepared statement and request that it be adopted for the record. I will briefly summarize.

The Jacksonville area, in response to Navy urging, has since 1979 invested approximately $100 million in facilities to support Navy ship repair and overhaul work. There are now three shipyards fully capable of doing Navy work, whereas in the midseventies there was but one. This increase in capability was in direct response to the Navy's stated requirement.

The Navy is now attempting to keep their commitment to Jacksonville by restricting shorter duration SRA's to home ports. We believe that in fairness to our community, they should continue to be encouraged to do so.

But our community in Jacksonville also consists of thousands of Navy personnel and their families. Conducting SRA's out of home port would increase family separation and would be a grave disservice to our Navy men and their families.

I am a former Navy officer, and I commanded some of the kinds of ships that we are talking about here. And from my own personal standpoint I can attest to you that hitting these SRA's out of home port would really be a slap in the face to the Navy men and their families. I have had an opportunity to review the statement of the gentleman from Portland, and I would just like to say that there is really no amount of NBA tickets or free bus service or ski lift tickets that can make up for the forced family separations that doing these SRAs out of home port would entail.

Mr. HUTTO. Excuse me. I did not hear what you just said. What was the last part of that?

Mr. JONES. The forced family separations that doing these out of home port availabilities would entail are very difficult to overcome by the amenities that a community might provide for the sailors who are being overhauled away from their home port. It is just not possible to deal with, in my judgment, the family separation problem by the kinds of certainly generous welcome that a community like Portland would afford to the individual sailors that might be up there in the absence of their families.

Recognizing these realities, the mayor's economic development council of Jacksonville has asked me to include in my prepared statement a resolution passed last Friday in support of Navy SRA's in home ports, and I have so included that.

With respect to the interport differentials, as taxpayers we strongly urge that all costs of moving ships from their home port be identified and reduced. Therefore we support comprehensive interport differential for inclusion in Navy ship repair bids.

Thank you.

PREPARED STATEMENT OF THOMAS P. JONES, JR.

Mr. Chairman and Distinguished Members of the Committee, I am Thomas P. Jones, Jr. and I am the Government Affairs Manager of Atlantic Dry Dock Corporation and Atlantic Marine, Incorporated in Jacksonville, Florida. I represent various maritime and community interests within the City of Jacksonville and the surrounding areas.

In the late 1970's the Navy approached the ship repair yards in Jacksonville and the community-at-large and strongly urged us to prepare for a significant increase in the Navy's presence in Jacksonville and a concomitant increase in Navy ship repair work. This increase would be due to introduction into the fleet of the Oliver Hazard Perry Class ships, of which approximately 12 were to be stationed in Jacksonville, and a change in Navy maintenance policy. This change was to accomplish as much overhaul and repair work in the ships homeport as possible, provided adequate competition existed.

As a result of the Navy's urging, the ship repair yards in Jacksonville enthusiastically responded by obtaining new dry docks, new piers and other new support facilities. In addition, the community responded by providing new roads, additional affordable housing, improved recreation facilities and a general increase in other local support for our homeported ships.

From the shipyard point of view, three additional dry docks have been procured during the past 5 years, one by each major shipyard in Jacksonville. There are now three fully capable shipyards in the Jacksonville area whereas in the mid-70's there was but one. A strong local shipyard work force developed, and is well trained and efficient in the repair of Navy ships. Dozens of Jacksonville lower tier subcontractors upgraded and expanded their capabilities to support Navy ship repair work in areas such as insulation, motor rewind and repair, electronics repair, decking renewal and valve repair. In short, the Jacksonville community responded to the Navy's stated requirements and prepared itself for the expected substantial increase in ship repair work and for the influx of a substantial number of Navy sailors and their families. Based on projected Navy schedules, the local community was satisfied that the investment that they were making in these facilities and amenities to support the Navy would be sufficient to handle the expected ship repair workload and the increased personnel that would reside in the Jacksonville area.

The first significant overhaul work scheduled to be restricted to Jacksonville were the Regular Overhauls of the U.S.S. *Bigelow* and U.S.S. *Jonas Ingram,* provided that at least one additional dry dock was completed and available for these ships. Atlantic Dry Dock Corporation undertook to construct that dry dock. In the month that the dry dock was commissioned and ready for use, the homeport overhauls of the *Bigelow* and *Ingrum* were cancelled and the ships were decommissioned. The second opportunity Jacksonville had to capture homeported overhaul work was the overhaul of the U.S.S. *W. S. Sims* in 1984. The Navy had made the decision to restrict the ship to Jacksonville. The local yards and the local community prepared to support that overhaul. Just prior to issuance of the overhaul solicitation, the Navy, in response to Congressional directives, opened up the bidding of the *Sims* on a coastwide basis. Once again, promised work was taken from Jacksonville. More recently, the Extended Selected Restricted Availabilities (EDSRA) of the Oliver Hazard Perry class ships, which are in excess of 6 months, have been opened up to coastwide bidding rather than being restricted to Jacksonville as originally planned. So from the period of the late 1970's to the present we have seen a gradual erosion of the Navy's policy to restrict ship repair work to homeports. This, despite the fact that the shipyards and the local community in Jacksonville and other homeport areas have spent hundreds of millions of dollars to support the Navy's needs. I think that it is time for the erosion of this policy to stop.

The Navy's current ship repair policy provides for coastwide bidding on overhauls with up to two overhauls per year restricted to a given homeport, for SRA's in excess of 6 months duration to be bid on a coastwide basis, and for increased public/private yard competition. It permits the Navy to restrict to homeports SRA's of less than 6 months duration provided competitive bidding is available within the homeport. We believe that this is a fair balance for shipyards both within and outside homeport areas. This policy also supports the needs of the Navy for high morale provided by decreased family separation and for cost-effectiveness provided by homeport training and homeport logistics infrastructures.

One final note on morale and retention. Family separation is historically the prime reason sailors leave the Navy. Repair availabilities out of homeport increase family separation and therefore would have a negative effect on retention. A policy to bid all SRA's coastwide would be a grave disservice to Navy personnel and their families and would hurt personnel readiness.

Mr. Chairman, the City of Jacksonville supports efforts to maintain SRA bidding restricted to homeport areas. The Mayor's Economic Development Council passed a resolution to that effect and has asked me to include it in my statement.

RESOLUTION No. 86-1

A resolution in support of the Navy being allowed to bid selected restricted availabilities in the homeports of the ships concerned unless competitive bidding is not available in the Homeport area.

Whereas, the City of Jacksonville and the United States Navy have had a long and mutually beneficial relationship, and

Whereas, the City of Jacksonville and Florida's First Coast area have benefited, both socially and economically, by the presence of the U.S. Navy, and

Whereas, it has come to the attention of this Council that certain elements in the Congress of the United States are proposing actions which would be detrimental to the economy and social welfare of the citizens of Jacksonville and of the families of Naval Personnel stationed aboard ships in Jacksonville, and

Whereas, these actions consist of attempts to require or permit Selected Restricted Availabilities (SRA) ships homeported at the Mayport Naval Station to be accomplished in other areas of the United States, and

Whereas, the longstanding practice of the Navy has been to accomplish this maintenance in the homeports of the ships affected, and

Whereas, the accomplishment of work in the ships homeport contributes to high-morale and family unity, which is directly related to the retention of highly qualified Navy personnel, and

Whereas, the Jacksonville area has invested millions of dollars in providing those facilities and amenities necessary for supporting the Navy ships homeported at Mayport, and

Whereas, competitive bidding is available within the Jacksonville homeport area on most Navy repair availability work; now therefore,

Be it resolved, that the Mayor's Economic Development Council strongly supports efforts in Congress to allow the Navy to bid Selected Restricted Availabilities in the homeports of the ships concerned unless competitive bidding is not available.

Dated this 21st day of February, 1986

W. H. WALTER, Jr., *Chairman.*

With respect to the interport differential issue, my comments are offered from the perspective of a taxpayer. There are very real cost expenditures involved in moving a ship away from its homeport to have work done that are in addition to the costs of the repair work. These costs can range from the cost of fuel, the cost of providing Navy technical supervision, the cost for transporting sailors to training centers, the cost in extra work required to be accomplished by the shipyards during the availability because local Navy assets such as Shore Intermediate Maintenance Activities may not be available in other than homeports and many other costs. These costs are difficult to identify but they are real out-of-pocket expenses that add to the total cost to the Government. I believe that a major effort should be undertaken to identify and include in bid prices the full out-of-pocket cost to the Government of conducting an overhaul out of homeport. Whether these costs come from maintenance, personnel or operations budgets they are still a cost to the Government and the Government should be seeking to identify and to reduce these costs.

Mr. Chairman, that concludes my statement. I appreciate the opportunity to appear before your committee and present the views of the concerned citizens of Jacksonville on these important matters.

Mr. HUTTO. OK, thank you very much, Mr. Jones.

And now we will have Mr. James Beall, who is counsel for the Northwest Marine Iron Works.

Mr. Beall.

STATEMENT OF JAMES A. BEALL, COUNSEL, NORTHWEST MARINE IRON WORKS, PORTLAND, OR

Mr. BEALL. Yes, thank you very much, Mr. Chairman.

My name is Jim Beall. I am a partner in the Portland office of Garvey, Schubert, Adams & Barer, and I am here representing Northwest Marine Iron Works in Portland, OR.

Northwest Marine is a ship repair contractor that is one of three contractors in the Port of Portland ship repair complex that we believe is one of the finest ship repair facilities on the west coast.

I summarized the yard's capability in my statement, and will not repeat it here. But let it suffice to say, we do have four drydocks, including the largest floating drydock on the west coast, and we believe we are an extremely valuable asset to the U.S. Navy and other Government agencies that overhaul ships.

As my statement has indicated, the Government market now available to the Port of Portland ship repair complex is sporadic at best, and diminishing rapidly. The State of Oregon is a home port for no active Navy vessels, and thus, the very strict home porting policy that both the Coast Guard and the Navy currently apply imposes a very, severe limitation on our bidding opportunities. And again, I refer to the opportunities of a complex that is among the finest, if not the finest, on the west coast.

Just to give you a brief example of what we get to bid on, on the 5-year planning matrix, which came out on October 1, we have three overhaul bidding opportunities. There are 152 SRA's and PMA's on the 5-year planning matrix for the west coast. The Oregon yards are not allowed to bid on one of them, and are the only yards on the west coast that are allowed to bid on no PMA's and no SRA's.

We do have on the planning matrix for this year three overhaul opportunities that we get to bid on, and pursuant to the changes made in the continuing resolution, with the additional public-private competition, it appears that we will have the opportunity to compete for two additional ones. There was the additional language that was raised earlier related to the reserve vessels. It is unclear at this time whether or not that will open up an additional bidding opportunity.

Thus, we may have five bidding opportunities in fiscal year 1986. This compares, unbelievably, favorably to previous years. Fiscal year 1984, for example, we had two bidding opportunities on the planning matrix. After the proposals were submitted and evaluated for several months, they were both withdrawn. Thus, in 1984 we had no opportunities to compete for Navy overhauls.

Unfortunately, with the announced policy changes that the Navy has made this past year, it does appear that our long-term situation is going to get even worse, with five additional classes of ships taken out of the overhaul cycle and put in the PMA or SRA cycles.

Very quickly, with regard to interport differentials, obviously Northwest Marine believes that they constitute a serious impediment to free and vigorous competition on Government overhauls, and we believe that they discriminate against the only group, the nonhome port yards, that have virtually no bidding opportunities.

The numbers that we are talking about are summarized on page 4 of my statement. I will not go back through them. They are very, very significant. As the competition does increase and the market diminishes, those numbers are going to become even more serious. And let us not kid ourselves, about what is going on here. We are not talking about applying these costs for fiscal reasons. The Navy pays those costs regardless of who wins the overhaul. However, they are being applied solely to discriminate against the nonhome port area yards, basically to make it impossible for us to compete on the same basis as our competitors in the home ports.

Mr. Hunter. Excuse me, Mr. Chairman, what costs were those? I missed the——

Mr. Beall. Page 4.

Mr. Hunter. OK. What costs are referred to?

Mr. Beall. The interport differential costs that were applied on the last three overhauls bid on the west coast.

We believe that this policy also flies directly in the face of the Navy's stated—and we compliment the Navy on this—purpose in increasing competition in the government contracting market. Competition saves the Federal Government a significant amount of money, and anything which discourages competition we believe not to be in the interest of the Federal Government or the U.S. Navy.

With regard to the selected restricted availabilities, again, let me repeat, of the 152 opportunities on the October 1 5-year planning matrix, we get to bid on none of them. And I think eliminating the—one of the, at least—finest ship repair facilities on the west coast is not in the interest of the Government. And I have cited on page 5 and 6 of my statement the experience that the Federal Government has had recently when they in fact allowed the Portland ship repair yards to compete on Government contracts.

When the Coast Guard opened up one icebreaker for the first time for the Oregon yards to bid on, an Oregon yard, my client, came in 40 percent below the next lowest competitor, and you can go on down through the U.S.S. *Cushing*, the *Duluth*, and the U.S. Coast Guard ship *Storis*, and see the significant amount of money that the yard is capable of saving the Federal Government if and when they are allowed to compete.

Let me address one other point. We talked about vigorous competition. When we get to compete on a coastwide bid of any kind, there are anywhere from 8 to 12 major yards competing. Page 6 of my testimony summarized five examples of SRA's or overhauls restricted to the home port last year where there only two or three competitors. That is hardly competition as we know it.

Now it is true that overhauling the ships in nonhome ports does create some problems. As the gentleman to my right has indicated, Portland has put together a group of leading business people and Government officials and others, and has attempted to ameliorate some of the impact of having the folks come up to our State for the overhaul. It has worked out fine. The 6 months of free bus passes and the NBA tickets and the ski lift tickets and everything else do not necessarily totally eliminate the impact. But we have had a wonderful experience with the crews of the U.S.S. *Cushing,* the U.S.S. *Duluth,* the Coast Guard ship *Storis,* and and others.

In conclusion, I recognize that you are not going to open up, nobody is going to open up, all the SRA's and the phased maintenance opportunities up and down the coast; I would only encourage the committee to begin investigating exactly what is the impact of these transfers and what steps could be taken to ameliorate this impact.

To my knowledge, I may be the only person who over the last few years has really attempted to get to the bottom of exactly what are the problems when a ship comes to the home port. I did a very comprehensive, 10-page survey that was distributed to the crew of the U.S.S. *Henry B. Wilson* in 1983, with the assistance of Commander Von der Schraff.

That questionnaire was disseminated to the crew and, of course, had a lot of questions about what they liked, what they did not like, what we could do to improve their situation, and some bottom line questions. That questionnaire was disseminated by the commander, was then picked up by the commander, and before it was returned back to me it was confiscated by the U.S. Navy. I was never allowed to see the results of my own survey.

But I have a pretty good idea, after listening to the crew and the officers on television, both in Oregon as well as on a special they ran down in the home port area of San Diego, what the response was with regard to that questionnaire.

Now, I would only encourage the committee to be inquisitive, be interested in defining exactly what the scope of the problem is, and be as creative as possible in addressing the needs of these people and yet still opening up some portion of the SRAs to coastwide bidding.

Thank you very much.

PREPARED STATEMENT OF JAMES A. BEALL

Mr. Chairman, my name is James A. Beall. I am a partner in the law firm of Garvey, Schubert, Adams & Barer. I am here today representing Northwest Marine Iron Works, a ship repair yard in Portland, Oregon. I am deeply appreciative of this opportunity to appear before a joint hearing of these two distinguished Subcommittees. Northwest Marine is keenly interested in the so-called "interport differential" and "selected restricted availability" issues.

NORTHWEST MARINE IRON WORKS

Northwest Marine has been repairing, converting, and overhauling ships for over forty years. The company is located within the Portland Ship Repair Yard, which is operated by the Port of Portland. Northwest Marine owns 14 acres of shop and administrative space within the yard and leases the Port-owned drydocks, cranes and berthing facilities.

The Portland Ship Repair Yard has modern, comprehensive ship repair facilities which are among the finest on the West Coast. The yard contains four drydocks, including Drydock #4, the largest floating drydock on the West Coast. Drydock #4 is 960 feet long, 185 feet wide, and has a lift capacity of 80,000 tons. The yard is served by 16 cranes with capacities of 120, 100, 75 and 45 tons. The attached brochure provides a more comprehensive overview of the modern, sophisticated facilities located in the yard.

Northwest Marine has historically generated half of its revenues from commercial overhauls and half from the government sector. In the commercial sector, the majority of the overhauls are on huge supertankers which service the Alaskan oil trade. Recently, the company has seen an increase in the level of work on cruise liners.

Northwest Marine has a long history of overhauling vessels for the federal government. In recent years the company has overhauled ships for the Navy (U.S.S. *Stein*, FF-1065; and U.S.S. *Henry B. Wilson*, DDG-7), the Coast Guard (USCGS *Polar Star;* and USCGS *Glacier,* both icebreakers), and the Military Sealift Command (Observation Island, a missile-tracker on lease from the Air Force, overhauled twice in recent years by Northwest Marine). Currently, Northwest Marine is overhauling the U.S.S. *Cushing* (DD-985), U.S.S. *Duluth* (LPD-6), and USCGS *Storis,* a medium-endurance cutter.

GOVERNMENT MARKET FOR OREGON SHIPYARDS

In recent years, little government work has been available to Oregon ship repair yards. The bidding opportunities have been sporadic, at best.

Oregon serves as a homeport for no active Navy vessels. Last year the Coast Guard homeported an icebreaker in Portland, the Navy assigned four Ready Reserved Fleet vessels to Portland, and the Navy announced that it eventually would assign two minesweepers to Astoria. This contrasts dramatically with the huge concentration of ships in the San Diego-Long Beach area, where over 130 Navy vessels are homeported.

Northwest Marine strongly supports Secretary Lehman's initiative to geographically disperse the fleet. His leadership on this issue will strengthen the industrial mobilization base as well as our national defense.

Unfortunately, the Navy and Coast Guard still enforce strict homeporting policies on the vast majority of their overhaul contracts. While the specific Navy policy has changed several times over the past five years, the current policy is to restrict to homeport-area competition every contract whose duration is less than six months. This can have a seriously damaging impact upon the industrial mobilization base the Navy is attempting to strengthen.

The current (October 1, 1985) 5-year planning matrix of West Coast overhauls, selected restricted availabilities (SRA) and phased maintenance availabilities (PMA), contains 152 SRAs and PMAs. All 152 are restricted to homeport-area yards. The matrix provides only three overhauls for coastwide competition: U.S.S. *Fort Fisher* (LSD-40), U.S.S. *Fletcher* (DD-992), and U.S.S. *Fife* (DD-991). These meager offerings actually constitute a dramatic improvement over other years, including FY84, during which the Navy bid only two overhaul contracts on a coastwide basis (U.S.S. *Harry Hill*, DD-986, and a four-ship package consisting of the U.S.S. *Fletcher,* U.S.S. *Fife,* U.S.S. *Cushing,* and U.S.S. *Merrill*) and then withdrew both contracts after the RFPs had been published and the proposals submitted and evaluated.

Unfortunately, in some respects the problem is getting even worse for non-homeport yards such as those in Portland. It is my understanding that the Navy recently decided to take five additional classes of ships out of the regular overhaul cycle (the DDG-2 *Adams*-class destroyers, the DDG-37 *Farragut*-class destroyers, the FFG-1 *Brooke*-class frigates, the FF-1037 *Bronstein*-class frigates, and the FF-1040 *Garcia*-class frigates). It is estimated that these changes will eliminate 41 overhauls currently scheduled for the next five years. In FY86 alone the Navy has programmed a 30% decrease in overhauls (from 58 in FY85 to 41 in FY86). At the same time, SRAs and PMAs will increase by 25% (from 116 in FY85 to 143 in FY86).

In the FY86 Continuing Resolution, Congress provided some additional bidding opportunities to the none-homeport yards. First, Congress directed the Navy to expand the cost competition between the private and public shipyards by a total of four overhauls. In response, the Navy has opened two additional overhauls to private sector, coastwide competition (U.S.S. *O'Callahan*, FF-1051, and U.S.S. *Albert David*, FF-1050). Second, Congress directed that reserve fleet overhauls be bid coastwide except in certain circumstances. It is unclear at this time whether this provision will open any additional bidding opportunities for the non-homeport yards in FY86.

Having three to five Navy bidding opportunities is an improvement over past years. It does not, however, ensure that any work will in fact be performed in the non-homeport yards. The non-homeport yards face three significant impediments when bidding on these few opportunities. First, although the non-homeport yards are precluded from bidding on the work reserved for the homeport areas, the homeport-area yards are not precluded from bidding on the few coastwide opportunities. Thus, the non-homeport yards end up competing against yards which already have spread their Navy-related overhead across a number of SRA, PMA and ROH contracts. Second, the non-homeport yards have been the victims of significant buy-in bidding practices in certain homeport areas of the country. These abuses were documented recently in a formal investigation of the General Accounting Office. Third, the non-homeport yards have been subjected to harsh "interport differentials," which constitute one subject of this hearing.

INTERPORT DIFFERENTIALS

Northwest Marine believes that interport differentials constitute a serious impediment to free and vigorous competition on government overhauls. The differentials discriminate against the only group of contractors with virtually no bidding opportunities (i.e., the non-homeport yards) and seriously undermine the Navy's stated goal of increasing competition on overhaul contracts.

To provide some perspective, it is important to understand what numbers are being used when interport differentials are applied. While the numbers do vary from contract to contract, the following differentials were applied to the 1985 bids on the U.S.S. *Duluth*, U.S.S. *Harry Hill* and U.S.S. *Cushing* overhauls:

Location	Duluth	H. Hill	Cushing
San Diego	$3,070	$25,000	$25,000
Long Beach	54,560	65,151	65,151
San Francisco	89,000	85,096	85,096
Seattle	155,925	164,803	164,803
Portland	501,535	486,152	574,152

Northwest Marine strongly supports the Navy's right to homeport its ships where it wants. There are important strategic and tactical reasons for homeporting ships in various locations and politics should remain only a minor consideration in such decisions. The costs associated with these decisions, however, should not be borne solely by the non-homeport-area shipyards. The non-homeport yards have no control over these costs. Homeporting decisions are matters of national security and should be paid for by the nation as a whole, not by a few non-homeport-area shipyards.

It is important to understand that the differentials are not applied for fiscal reasons; the Navy pays the costs included in the differentials regardless of which yard wins the contract. The differentials are applied solely to discriminate against the non-homeport area yards; to make it impossible for these yards to compete on an equal basis with those yards located near the homeport.

The differentials fly directly in the face of the Navy's stated objective to increase competition on its contracts. Secretary Lehman, Assistant Secretary Pyatt, and Admiral Stuart F. Platt have been at the forefront of the Navy's effort in this new direction. Competition saves the federal government money, and anything which discourages competition will simply result in additional waste and higher federal deficits. Northwest Marine applauds the Navy for its strong advocacy of competition and hopes that the interport differentials and other anti-competitive devices will be eliminated permanently.

SELECTED RESTRICTED AVAILABILITIES

As noted above, the latest 5-year planning matrix includes 152 SRAs and PMAs. Under the Navy's current policy, the Oregon yards cannot compete for even one of the 152 contracts. In fact, the Oregon yards are the only West Coast yards which cannot compete for any SRAs or PMAs.

Northwest Marine believes that its exclusion from this competition is not in the best interests of the Navy or of the federal taxpayer. When Northwest Marine is allowed to compete for Navy or Coast Guard work, the government is the greatest beneficiary. Consider the following examples:

1. USCGS *Polar Star:* In 1984 the Coast Guard allowed the Portland yards to bid, for the first time, on an icebreaker homeported in the Puget Sound area. Northwest Marine's winning bid was almost 40% lower than the next closest bid. The contract was completed on time and on budget.

2. In 1985, the Navy bid the overhauls of the U.S.S. *Cushing* and U.S.S. *Harry Hill* on a coastwide basis. The contracts were solicited together but the overhauls could not be awarded to the same yard. Northwest Marine submitted the low bid and was awarded the U.S.S. *Cushing*. Todd-Seattle was second and received the U.S.S. *Harry Hill*. Northwest Marine's bid was several million dollars below its nearest competitor. The company expects to complete the overhaul on time, if not early, and on or under budget. The overhaul almost certainly will end up the least expensive ever for that class of ship.

3. In 1985, the Navy also conducted its public-private competition on the U.S.S. *Duluth* (LPD-6) and U.S.S. *Cleveland* (LPD-7). All public and private yards were invited to compete for the overhaul of the *Duluth*.

Northwest Marine was again the low bidder. The *Cleveland* was then awarded to the Long Beach Navy yard. It appears that the overhaul of the *Duluth* will cost significantly less than that of the *Cleveland*.

4. In 1985, for the first time, the Coast Guard allowed the Oregon yards to bid on a medium-endurance cutter (USCGS *Storis*) homeported in the Puget Sound. Once again, Northwest Marine was the low bidder. The overhaul is approximately 50% completed and should end up on time and on budget.

The evidence is clear: allowing the non-homeport-area yards to compete for government contracts greatly reduces the cost to the federal taxpayer. Even when the non-homeport yards are unsuccessful, their mere presence in the competition certainly has an impact upon the ultimately successful bid.

It is important to understand that vigorous competition is not always available in the homeport area. In the second quarter of FY85, the following contracts were awarded with extremely limited competition:

1. U.S.S. *Paul Foster* (DD-964): An SRA, awarded for $3.5 million. Only two yards bid.
2. U.S.S. *Mt. Vernon* (LSD-39): A regular overhaul, awarded for $14.9 million. Only two yards bid.
3. U.S.S. *Tripoli* (LPH-10): A regular overhaul, awarded for $12.8 million. Only two yards bid.
4. U.S.S. *Merrill* (DD-976): An SRA, awarded for $6 million. Only three yards bid.
5. Four LSTs: A PMA, awarded for $3.5 million. Only two yards bid.

By contrast, on the coastwide bids at least eight to twelve yards usually compete.

It is true that overhauling ships in a non-homeport yard can present problems for some crew members and their families. Portland, however, has gone to great lengths to soften the impact on those crew and family members who have been in Portland during recent overhauls. A group of leading businessmen, local officials and organizations have formed an innovative "Welcome the Navy and Coast Guard Committee" and have been of tremendous assistance to the crews and families of the U.S.S. *Cushing*, U.S.S. *Duluth*, and USCGS *Storis*. The Committee has provided six months of free bus service, tickets to NBA basketball games, concessionary rates on ski lift tickets, special retail coupon books and free checking accounts, and has sponsored numerous dances, gatherings, ceremonies, etc. In all, over the hundred benefits are made available through this Committee. We have been told by the visiting personnel that Portland's welcoming committee is unique along the West Coast.

Obviously, for shorter overhauls, SRAs and PMAs, it may be impractical to relocate every family. But this problem is not unsolvable. Very little effort seemingly has been made to date to determine how to accommodate shorter absences from the homeport. Additional investigation should determine the extent of the problem (i.e., how many of the crew actually mind being away from the homeport during an SRA or PMA), and how that problem might be addressed (e.g., altered training schedules, more liberal leave policies, etc.). Northwest Marine would be pleased to participate or assist in any further investigation of these possibilities.

SUMMARY

The U.S. Navy has been a good customer for Northwest Marine. Northwest Marine has been a reliable, cost-effective alternative for the U.S. Navy. Northwest Marine urges the House Armed Services Committee to support the opening of additional work to non-homeport yards and the elimination of any and all impediments to free and vigorous competition.

Thank you very much.

Mr. HUTTO. Thank you, Mr. Beall.

And now the members may question any of the panel members.

Mr. Spence, do you have questions?

Well, we will all have an opportunity, so Mr. Hunter, would you like——

Mr. HUNTER. OK. Thank you, Mr. Chairman.

Let me ask you a couple of questions to start out with.

You want competition and yet you say that if it costs $300,000 to steam a ship north from San Diego to your shipyard to be overhauled, that that $300,000 in fuel should not be counted as a cost to the U.S. taxpayer for doing that particular repair job. How do you arrive at that conclusion?

Mr. BEALL. Yes. A couple points here.

First of all, the cost attributable to steaming that ship up to Portland is a cost of home porting that ship in San Diego. That is—the Navy reserves the right—and Northwest Marine is strongly supportive of the Navy's right to home port that vessel where it makes sense with regard to strategic and tactical and other purposes. We support that, and if San Diego is the appropriate place under those considerations to home port that ship, we are all for it.

Our concern is that that is a cost of national defense, and ought to be paid for by the national tax base. That should not be put on the shoulders of the people that have the fewest opportunities to compete for Navy work.

Mr. HUNTER. OK. So your point is that although it costs, say, $200,000, $300,000 to steam that ship north, that should not be considered a cost of that particular repair job?

Mr. BEALL. It should be considered a cost of national defense and paid for by the national tax base.

You have answered my question. I have got a couple of them for you here.

If they are requiring a Navy officer, another in addition to the SUPSHIP personnel, to be dedicated to your area that have to get in a plane, move up to your particular area from anyplace around the country, San Diego, San Francisco, et cetera, you do not think that cost is part of the cost of that particular overhaul job?

Mr. BEALL. That cost is a direct function of having home ported that ship elsewhere.

Mr. HUNTER. OK, but it should not be considered in the competition?

Mr. BEALL. Exactly.

Mr. HUNTER. OK. Let me ask you something else.

We have talked around this people issue a little bit, and I think you have admitted in your statement that while you can give people tickets to NBA basketball games, there is nothing that can, I think, in the gentleman's words, make up for having that young man's father with him while he is at that basketball game, or having that father's son with him at that basketball game.

If I give you a hypothetical, you come off a cruise in the Indian Ocean and you have been there for 5 or 6 months, and you have not seen your family, and you have a lot of members on that ship that want to spend some time with their family, and you have, let us say, a 4- or 5-month overhaul, not a long overhaul on an SRA, something on a fairly short order.

Is it your recommendation to the U.S. Navy that they move that job 2,000 or 3,000 miles away at the risk of separating that particular family, or hundreds of families? Do you think that it is worth it in terms of people, and do you think we can keep our Navy people happy in doing that?

Mr. **Beall**. I am saying a number of things, sir.

Mr. **Hunter**. Well, you have got to address before you say that number of things.

I would like to have a direct answer to that question, because I think you imply, you said it in several places in your statement.

Mr. **Beall**. My answer is yes. I certainly recommend that they open up those sort of 4- and 5-month SRA's to coastwide competition.

Mr. **Hunter**. So you do not think that that is an unbearable strain on that Navy family?

Mr. **Beall**. That is not at all what I said.

First of all, I think that this committee ought to investigate the extent of the problem. As you probably know, there are a number of people, a fairly significant number of people, on those ships that love being outside the home port. They are treated differently in certain places up and down the coast. There are some that like the way they are treated in places like Portland, OR.

I think first of all we have to understand and get a good fix on exactly what the problem is. How many people are we really talking about?

Second, I think we have to become a little bit creative. How many of those needs could be addressed through other creative ways? I certainly do not have God's word on what all those are.

Mr. **Hunter**. OK, let me ask you, are you suggesting, for example, that if you have children who are separated from their Navy fathers that they have a big brothers organization that can perhaps go with them on hikes and spend time with them to make up for those Navy fathers?

Mr. **Beall**. I suspect that man's ingenuity is the only limit on the creativity in solving this problem, and I am certainly not restricting it to big brother programs.

I think that liberal visitation leave policies could be explored, various aspects of decrewing could be explored, flexible training schedules could be, and changing the 6-month rule, for example, with regards to the transfer of families.

Mr. **Hunter**. OK. One last question, because I got a couple other questions, and I think you have answered that one.

With regard to the overruns that we are talking about, in the 109 percent cost growth, I have always had a question in my mind, and that is that if you have a ship where the Navy estimates the cost should be $30 million. You have a yard that bids real low, let us say that—bids $19 million, $18 million, something like that. They are awarded that ship, and they do the job for, say, $26 million.

Now, you have a $7 million growth, but you are still underneath the Navy estimate, or fairly close to it; whereas if you have a $30 million Navy estimate and another yard comes in with, say, $32 million and costs $32 million, or, say, let us say, costs $29 million. You have actually come in under the Navy estimate, but you are still costing more than the yard that lowballed.

And let me give you an example that is close to home. The U.S.S. *Wilson* was bid, and I like to make these real examples so they will have some meaning, I think it was bid $18 million by NASCO and, I think, $19 million by Southwest, which are in San Diego. The Navy's estimate was $32 million, or in that area, for the cost of that ship.

Northwest, your company, bid $33 million. They made a realistic estimate on their bid. It went to the Northwest, even though the bid was $18, $19, in San Diego, on the basis that that was not realistic.

When they finished the job, the last figures that Secretary Fowler gave us was that it had cost—at that time they were not quite finished—and it had cost $54 million.

Now, I guess my question is, Is it not more relevant to take the actual cost of the job and compare that to the Navy's estimate? And I think that is what Admiral—or, Secretary Pyatt was referring to where he said it is actually only about 5 percent over the actual cost. Where you have people come in at low figures and they have— and they build in cost growth, but they still do not go over or do not go far over the Navy's real estimate, they have not cost the taxpayer extra dollars out of their pocket.

Do you not think that the best question to ask is what was the real cost, the final bottom line cost to the taxpayer, and how did that compare to the Navy estimate?

Mr. **Beall.** Well, I have a number of responses.

First of all, your figures on the completion and—as I understand it—are incorrect.

Mr. **Hunter.** I took them from Admiral Fowler.

Mr. **Beall.** Assuming that they were correct, your people certainly would not have any problem competing against that type of high-priced yard. The U.S.S. *Henry B. Wilson* was the last ship, with the exception of the *Fife* that will soon be coming out, that was evaluated under a five-factor formula, not solely based upon cost.

All, with the exception of the U.S.S. *Fife,* to my knowledge, will continue, as has been the practice the last year, to be bid solely on an IFB, one-factor, cost-is-it basis. And under that scenario, if in fact your concern is that Northwest Marine is too expensive, your people in San Diego certainly will have no difficulty competing——

Mr. **Hunter.** That was not my point. My point was that I think the relevant factor is a comparison between what something should cost and what it actually did cost, not whether you had growth in the estimate. That is the response, the question I would like you to address.

Mr. **Beall**. Yes. And it would seem to me your quarrel is with the GAO, who conducted the study, and you may in fact at least have a legitimate point in the sense that figures can tell you about what you want them to tell you. And certain people can analyze them one way, and GAO obviously analyzed them in a way that you are uncomfortable with.

But my response would be that I think that your quarrel is with them and not with Northwest Marine Iron Works.

Mr. **Hunter**. Yes. I have no quarrel with Northwest Marine Iron Works, but my question to you is that—and I still want you to address it—do you not think the best way to analyze cost effectiveness is to compare what the Navy's estimate of a job is, should cost, to final price on that particular job? Do you not agree with that—with that idea?

Mr. **Beall**. That is very possible.

Mr. **Hunter**. OK. Thanks.

Mr. **Dyson**. It is my understanding that the witnesses have submitted their testimony, and that at this point I am going to see if any other committee members have a question.

Mr. **Dyson**. Are there any questions?

Mr. AuCoin, you may proceed.

Mr. **AuCoin**. I realize I am a guest here, Mr. Chairman, and I again express my appreciation to the committee for the invitation to join you today for this very purposeful discussion.

Let me ask this question of the three gentlemen who come from home ported areas, and represent that interest.

You know, if one assumes that we are dealing with about 150 SRA and phased maintenance opportunities nationwide in 1987, and I think that is an accurate figure, and if we further assume—and I think this, too, is accurate—that 100 of those will go to the east coast and about 50 to the west coast, by my calculations, if you just took a quarter, 25 percent of the work, that would represent about 12 contracts, 12 SRA's, 12 PMA's, and those are only bidding opportunities out of 150.

I guess my question to you would be how in the world would allowing 12 bidding opportunities outside your areas, when you have got all the rest of 150 when you look at it on a national basis, in any way cause damage to home port yards? I just do not see how that represents a meaningful or serious threat. I think it actually increases competition.

And I ask you that question first; I have one followup question.

Mr. **Jones**. Sir, if I could speak——

Mr. **AuCoin**. Certainly.

Mr. **Jones** [continuing]. From the standpoint of Jacksonville——

Mr. **AuCoin**. Your name, sir, is?

Mr. **Jones**. Jones. I am from Jacksonville.

I cannot speak to it on a nationwide basis, but I can speak to it from the Port of Jacksonville's input. We have three competitive shipyards in the Jacksonville area right now, up from one in the midseventies. And when you look at the projected Navy SRA work in Jacksonville, and considering the amount of commercial—minimal amount of commercial work that is currently available on the market, as I am sure you are aware.

Mr. **AuCoin**. That is a problem we are all facing.

Mr. JONES. Right. The Navy's own projections probably will prove out what I say, if you can ask them for some man-day estimates, we think that the projected Navy workload will support less than two shipyards in Jacksonville, if all the SRA work that has been promised to be restricted to Jacksonville is restricted to Jacksonville.

So I think, yes, bidding these jobs coastwide would in fact detrimental to the yards in Jacksonville.

Mr. AUCOIN. Well, now I did not say that there would be 12 awards to non-home port shipyards. I just said that there would be 12 opportunities for bidding, and you would be fully able to bid with a very sharp pencil in full competition.

Mr. JONES. As we do now, sir.

Mr. AUCOIN. We are not talking about awards, we are talking about bidding opportunities and that free enterprise idea called competition. What is wrong with that? And that is just taking 25 percent. We could even have a lower percentage. What is wrong with that?

Mr. JONES. As I mentioned earlier, I will mention one other point, and that is that I dealt with this problem from the standpoint of the commanding officer of a ship and from chief staff officer of a squadron who had a number of ships that were overhauled or worked on out of the home port. And in that position, I am the guy that had to deal with wives, with the wives and their problems——

Mr. AUCOIN. You had to deal with what?

Mr. JONES [continuing]. And family separations.

Mr. AUCOIN. You are not here representing the enlisted man or the Navy families today. Let us, you know, let us keep our cards on the table and keep them face up. We know what we are here today to talk, and we are talking about competition within a general context.

We have the *Cushing* and *Duluth* in Portland today, and——

Mr. HUNTER. Well, if my friend would yield, you just touched a point.

Mr. AUCOIN. I wanted to finish my statement.

Mr. HUNTER. We did ask him to come here to talk on that point.

Mr. AUCOIN. We are all discussing that point—but I would also make the statement that the interest being reflected here is not—is one of a business and not that of the enlisted man. I know that, you know that, we all know that, so let us just understand that. We are all trying to work our various businesses in a way that is fully competitive, consistent with the free enterprise system, and not do it detrimental to the welfare and—of the families of enlisted or military personnel.

But I would just say to you that I took the time in January to visit with the crew members of the *Cushing* and the *Duluth,* which are now at Portland, and talked to them about this question of bidding out on a coastwide basis SRA's, phased maintenance work, and the rest.

And the answer I got from those enlisted in a morning-long meeting was that if the Navy showed some sensitivity to how long they had been at sea and how much time they had already spent in their home port with with families, showed some sensitivity to that backdrop, used that as a backdrop, and then opened up to coastwide competition some of these smaller work packages, the majority thought that would be a good idea.

And one actually told me, one enlisted man actually told me, you know, I joined the Navy because it is a see-the-world organization. We like the idea of being able to see different places for short periods of time.

I think we know what the interport differential does. Mr. Wardwell, you indicated that you think the interport differential ought to actually be expanded rather than excluded. I can understand that; what that would do is kill off a significant competitor on the West Coast. That certainly would be one of the major effects here. You might say that it would somehow make Navy families happier, but if the Navy uses the combination of the exclusion of the interport differential wisely in combination with the wise selection of some small portion of these small work packages that are up for bid, there is no way that the Navy families are going to be inconvenienced in a major way.

Portland has demonstrated what it can do at a local level. The Navy clearly has options and flexibility, and to encourage an investment in competition which will ameliorate some of these overruns to the tune of 109 percent, according to the 1986 study of the GAO, I think that is an investment that makes a heck of a lot of sense.

Mr. **Wardwell**. My name is Arthur Wardwell, and I am the representative for San Diego.

And I think what I would like to do is perhaps dispel a little bit the concept there is no competition in San Diego. We have 10 MSR's, 111 subcontractors, one of the MSR's in chapter 11 as of yesterday.

Out of the last year we had some 91 bids, of which 4.47 bidders was the average, and it ranged from anywhere of all 10 down to 2 in a case where it asked for a drydock, and there are only two drydocks. That is why the number comes down a little. We have competition so bad that it is constantly going lower.

Mr. **AuCoin**. Let me ask you this. Whose drydocks do they use when they get an award and they do not have a drydock but need one?

Mr. **Wardwell**. Then they can look at the public yard. There is a public yard dock also.

Mr. **AuCoin**. Is that a Navy yard, Navy drydock?

Mr. **Wardwell**. It is not a Navy yard, it is a publicly owned drydock by the Navy.

Mr. **AuCoin**. Navy drydock? What do you pay for that facility?

Mr. **Wardwell**. Well, higher than Portland. We pay 47 cents a ton per day figured at the full load displacement of a ship as defined by Jayne's, whereas in Portland you pay 32 cents per haul day based on gross tonnage, gross registered tonnage, which is a lot smaller number. If you took the *Duluth* and said gross registered tonnage, you would talk probably between 10,800 and 12,000 tons. If you take the same class ship, the *Denver*, down in San Diego, which was recently done, you would talk 18,000 tons for a cost of $514,000 to do it. Plus power.

There is no freebie at the naval station. That is a misconception. It costs $5,200 a day offset on your bid for any bid made where you use the naval station for an overhaul for a simple destroyer. It costs you $6,000 to use berth 2412, which belongs to the Port of San Diego.

Mr. AuCoin. I appreciate that information.

I have no further questions. The intent of my question, I think, is clear. The interport differential exclusion, coupled with some wise discretion on the part of the Navy in how it chooses to take these small work packages and put them up, the full account, the recent sailing history of the ship and where those families have been, could be used in combination to increase competition.

And at a time of budget shrinkage and real cuts in defense spending, I think this Congress has got to look in that direction, and I think it is just a basic principle of free enterprise.

Mr. Bowers. I would like to make a comment.

Mr. AuCoin. Certainly.

What is wrong with having this competition.

I think the thing that we have to realize is there is a different situation in every Navy port in the country. And my question to you would be, what would we gain if in Norfolk we did the ships that were based in Jacksonville; and in Jacksonville they ended up winning the ships that was based in Norfolk. At that time there would be a great deal of price to be paid by the crews of those ships, and in reality there would be nothing gained, because there is adequate competition in both places.

So I think maybe in the event where there are no ships in the home port, you have a different—where nothing is strategically located there—you have a different situation than where there are ships.

Let us say that 10 ships were located in Portland. Would it be logical to move those ships to San Diego to be overhauled—when there was adequate competition both both places, you know?

Mr. AuCoin. I think one does have to take into consideration costs; costs are a significant part of this.

But I understand the general point that you are making. I just make the point, it just seems to me in a time of very difficult budget constraints where the salad days are certainly gone for defense spending, we have got to find more inventive ways to get work performed on a high-quality basis at reasonable and practical costs and price to the taxpayer. And some innovation in thinking needs to be used so that we can do those things in ways that do not impact negatively on our servicemen. And I think it is possible, and I think the times call on us to re-examine the practices that we have taken for granted up to now.

That may mean you have to scramble a little harder and sharpen your pencil a little more to compete, but I think that is what business is

Of course I will yield to my friend.

Mr. Sisisky. You made the statement, and I ask the gentleman, would you like to do it without harming the families?

Mr. AuCoin. Of course.

Mr. Sisisky. Well, how would you do that, though?

Mr. AuCoin. Well, as I indicated when Mr. Pyatt was here, it is possible for the Navy to take a look at what is scheduled in terms of SRA's and phased maintenance work for 1987, or any year, but in 1987 it happens to be about 150-some bidding opportunities, some 150 jobs. It ought to be possible for the Navy, as it tries to promote competition within the context of this important question of personnel morale, to look at which of those ships have not been at sea for six months or longer, which of those involve vessels that perhaps have been at port for a longer period of time where families have been together. And to take some small percentage of that total 150 and maybe break it down into—maybe even re-examine the 6-month question, maybe 2-month SRA's or some such.

But look at these variables and decide how to increase competition consistent with what all of us wants, and that is to keep these families happy so that they will stay in the service and be fully productive people. I just think it is not impossible for the Navy to think in that detailed way, or to be incapable of looking at some of those nuances.

And that is all I am saying to this.

Mr. Sisisky. I will look in the record for the answer to your question.

Mr. AuCoin. I am trying to be general. It is not easy, but these are not easy times. I mean, Gramm-Rudman placed some real burdens on us at this point.

Mr. Dyson. Before we adjourn, I think we are going to see if any of the other committee members have another question. I understand Mr. Hunter does.

Mr. Hunter. Yes, thank you, Mr. Chairman. I just had one more to follow up on Mr. Sisisky's question, which I guess is still somewhat unanswered, and that is how you go about replacing that Navy son's father or his mother, or how you resolve the problem of the wife having to leave the job if she wants to go up with the husband, take the kids out of school.

And, you know, to answer my friend from Oregon, we could have had a Navy chaplain here or somebody to address the people issue, but we did not do that because Mr. Bowers wears another hat or wore another hat, and that is as a guy who was in the Navy and concerned about his people and his personnel. And I would just ask Mr. Bowers, you could tell us a few things about what you saw as a naval leader—or, excuse me, it is Mr. Jones—what you thought as a naval leader about these separations and what they did to your people.

Was there an effect, and is there any way you can make up for it?

Mr. AuCoin. Now, put on your other hat.

Mr. Jones. No, sir, there is really no way, there really is no way to make up for it. The family separations involves a number of things which are kind of indignities to the Navy family. Whether or not it is on a deployment or in an SRA, the deployments are certainly why the Navy is there, and you have to go through them. The SRA's out of home port, you can make a choice not to heap those indignities on the Navy people.

And they consist of things like, as you mentioned, the father being away when the son, perhaps, is in trouble, or needs a guiding hand. I have fielded literally hundreds of complaints from—and problems with drugs, the use, where their father was out of the home port for one reason or another; with family problems ranging from divorce to a leaky roof to sick children to—as I mentioned—drug problems to automobile accidents to injuries where the father was not available to help, and we had to make those arrangements.

Mr. HUNTER. Let me ask you, then, in your experience, is there any way you can compensate, as Mr. Beall has suggested, for having that father and that son separated? Is there any way to do it? Big brothers, whatever, is there any way to go?

Mr. JONES. No, sir. No, sir.

Mr. HUNTER. I think that is very important testimony, and, I thought one thing that was interesting about this hearing was that Mr. Pyatt is not in charge of personnel, he is in charge of competitions, he is in charge of ships. And yet he made the point, as the competition guy, that in this particular area, in this issue, he had to defer to the people. And I thought that was interesting, particularly coming from him.

So I thank you very much, gentlemen, and I think, maybe you are wearing an industrialist's hat.

Mr. AuCOIN. No, if the gentleman would yield—I am sure he took that hat off when he just made his last statement.

Mr. HUNTER. But, we could have had a chaplain, a Navy chaplain, talking or somebody from the personnel side.

Mr. JONES. You will not hear anything different from a chaplain, sir, I am sure of that.

You will hear worse.

Mr. HUNTER. I found your position to be pretty consistent, that feeling, to be pretty consistent throughout the Navy, and particularly with regard to people who are in charge of a lot of personnel.

Thank you very much.

Thank you, Mr. Chairman.

Mr. DYSON. I would like to thank each of the witnesses for coming by today and providing your testimony.

Again, as I stated earlier, that it is my understanding you will be offering statements for the record, and we appreciate that.

One announcement before we end. The Seapower Committee, Subcommittee, will reconvene at 9 o'clock tomorrow. The Readiness Subcommittee will reconvene at 2 p.m. today, and that will be in this hearing room, 2118 Rayburn.

Thank you all.

[Whereupon, at 11:19 a.m., the subcommittee recessed to reconvene at 2:15 p.m. the same day.]

AFTERNOON SESSION

NAVY SHIP REPAIR AND MODERNIZATION

The subcommittee met, pursuant to call, at 2:15 p.m., in room 2118, Rayburn House Office Building, Hon. Dan Daniel (chairman of the subcommittee) presiding.

STATEMENT OF HON. DAN DANIEL, A REPRESENTATIVE FROM VIRGINIA, CHAIRMAN, READINESS SUBCOMMITTEE

Mr. DANIEL. The subcommittee will be in session.

I welcome all of you, the witnesses as well as the guests. We are always pleased to have you.

This afternoon the subcommittee continues its review of the fiscal year 1986 Defense O&M request. This morning in a joint hearing with the Seapower Subcommittee we began receiving testimony on the Navy's Ship Repair and Modernization Program. That joint hearing was focused on the Navy's SRA policy.

This afternoon we will continue by examining several other aspects of the ship repair and modernization program. Our witnesses are Vice Adm. William H. Rowden, Commander of the Naval Sea Systems Command; and Rear Adm. D.C. Richardson, Director, Surface Warfare Division, Office of the Deputy Chief of Naval Operations.

If I am not mistaken, this is the first appearance for both of you gentlemen before our subcommittee. We are pleased that you could be with us and look forward to your testimony.

Mr. Whitehurst, I hope you will have something to say on this subject, since you are perhaps directly affected. I know of your real interest in this aspect of our national security policy.

Mr. Whitehurst.

STATEMENT OF HON. G. WILLIAM WHITEHURST, A REPRESENTATIVE FROM VIRGINIA, RANKING MINORITY MEMBER, READINESS SUBCOMMITTEE

Mr. WHITEHURST. Thank you, Mr. Chairman.

I do have more than a passing interest, given the private shipyards that line the harbor in my district and the great naval shipyard, of course, in Portsmouth.

But just speaking parenthetically, I think we have had a pretty good arrangement down there, Admiral. Nobody ever has enough; you ask any man what he wants, and he always says: just a little bit more. That certainly applies to ship repair as well.

As the chairman said, this morning we received some very useful testimony regarding the Navy's SRA policy. And this afternoon we hope there will be equally useful information regarding the myriad other subjects involved in the Navy's Ship Repair and Modernization Program.

I would, of course, like to add my welcome to Chairman Daniel's greeting to you. This morning your boss, Assistant Secretary Pyatt, alluded to some of the issues that you will be addressing. We appreciate your being here. We look forward to hearing your testimony. Thank you.

Mr. **Daniel**. This is the first appearance before our subcommittee, Mr. Whitehurst, of Admiral Rowden, but it's not my first encounter with him. I recall so well the last time I saw him was in Sicily. I went over there to look at the launch cruise missile site as well as some other things. He assigned a female pilot to fly me over to Cyprus, I believe it was. And I asked him if she flew the same way that the male pilots. He said, you watch the wheel, it'll come up the same way, as it did, and the flaps will do the same thing that they do with the male pilots.

She was an excellent pilot, and we enjoyed our visit.

We are delighted and pleased to have you with us. Please proceed.

STATEMENT OF VICE ADM. WILLIAM H. ROWDEN, COMMANDER OF THE NAVAL SEA SYSTEMS COMMAND, DEPARTMENT OF THE NAVY, ACCOMPANIED BY REAR ADM. D.C. RICHARDSON, DIRECTOR, SURFACE WARFARE DIVISION, OFFICE OF THE DEPUTY CHIEF OF NAVAL OPERATIONS (SURFACE WARFARE), DEPARTMENT OF THE NAVY

Admiral **Rowden**. Thank you very much, Mr. Chairman.

It is good to be here. I certainly wish to congratulate you personally on the great amount of support that you have provided to us in the fleet. Indeed, you also, Mr. Whitehurst, you have been a great supporter. We appreciate that.

If I may, Mr. Chairman, I would like to submit my official statement for the record and, if I may, take just a minute or two to summarize it, I will proceed.

Mr. **Daniel**. Without objection, all statements will be printed in the record. You may proceed as you desire.

Admiral **Rowden**. The principal reason that we are here, Mr. Chairman, is to permit us to maintain the ships of the U.S. Navy in a condition that will allow them to meet the threat. In doing this, we intend to work on fixing what is broken. We are working hard to stay away from insurance type repairs. We want to fix what's broken; keep the ships modernized so that they can meet the threat.

A great investment, of course, is in overhauls, and that is the subject before this committee. We have over the last number of years increased the interval between overhauls markedly, which has caused the amount of money spent in overhauls to be reduced over time. Because there is a maintenance and modernization responsibility between overhauls, we have instituted selected restricted availabilities and drydocking selected restricted availabilities to permit us to take up the slack, so to speak, in a more efficient way for those ships.

I understand you heard the basis for the selective restricted availability this morning. We have several other maintenance programs that are in effect now, such as the Phased Maintenance Program and indeed the progressive overhaul, which is involved in the FFG-7, a class of ship we are just finishing building now.

This also requires some engineering to make sure that we are engineering our ships to maintain themselves properly throughout their life. In particular, the submarine engineered operating cycle modernization plan is an effort that we have had in effect for the last several years to determine that we are treating our submarines properly. We have put funds into that operation, and we feel that is paying off very well.

In addition, we have had the War Fighting Improvement Program, that has been originated in the Naval Sea Systems Command, with the approval of the Chief of Naval Operations, to specifically keep our ships in war-fighting trim.

Costs in this are a driver. They always have been, and they always will be. We are attacking costs in a number of different ways. One way is the public-private competition. As you probably know, there are two ships this year. One U.S.S. *Duluth*, was introduced into overhaul last year at Northwest Marine in Portland. There is a similar ship, U.S.S. *Cleveland*, that will be going into the Long Beach Naval Shipyard later on this year.

In 1986, the Congress directed that at least four ships participate in the public-private competition. We will have a total of eight ships participating in that; six surface ships and two submarines.

One of the vexing problems that this has caused in a climate of very fierce competition is the issue of buying in on the part of a contractor. We have some initiatives now—one that is currently in place—in which we are addressing the issue of buying into provide more protection for the Government in the value of the dollar received.

This year, we have a request for 37 active ship overhauls, 1 carrier, 5 SSBN's, 8 SSN's, attack nuclear submarines, 15 surface combatants, 3 amphibs, 4 auxiliary ships, and 1 mine countermeasure ship. In addition to that, there is a request for 126 selected restricted availability and 42 phased maintenance availabilities. Both of the latter two categories are an increase from last year.

In order to discharge this responsibility, we do business in the maintenance world with approximately 40 private shipyards, which in my opinion, Mr. Chairman, are absolutely necessary for the conduct and the operation of the U.S. Navy. In addition to that, we have eight public yards. These eight naval shipyards have been the backbone and mainstay of the maintenance program, maintenance operation of the U.S. Navy for many, many years.

I believe the naval shipyards in the process will have to make some adjustments. These adjustments may be painful in some areas, but I think that overall they are probably worthwhile to the health of the institution and the quality and support of the Navy that derives therefrom.

Thank you very much, Mr. Chairman.

I would be pleased to take your questions now, sir.

Mr. DANIEL. Thank you, sir.

Admiral Richardson, do you have anything you would like to add?

Admiral RICHARDSON. No, Mr. Chairman, thank you.

Mr. DANIEL. Initially, I just want to ask one question for the record. Admiral, for clarification purposes, would you briefly explain the difference between a ship overhaul and other kinds of ship maintenance? Expand on that a bit for the record, if you would.

Admiral **Rowden**. There is depot maintenance, intermediate maintenance, and organizational maintenance. Depot maintenance is that which is generally done by large installations ashore. Intermediate maintenance is done sometimes by smaller installations ashore and by repair ships. Organizational maintenance is that which is performed on the ship itself by the people assigned to the ship.

Within the depot maintenance we have overhauls. Overhauls are of relatively long duration, are intensive maintenance and modernization periods in which the ship is not only repaired, but it's also modernized to permit it to be able to deal with the threat.

Interspersed since the frequency of overhauls has been reduced in the last several years, we have selected restricted availabilities, which are shorter availabilities, generally of four or less months in length, which, provide and modernization and maintenance of the ships too; but on a lesser scale.

We have phased maintenance availabilities, which associate themselves with particular classes of ships, wherein we plan their maintenance over the life cycle of the ship and periodically put the ship into a maintenance facility for relatively short maintenance periods.

So, in general, Mr. Chairman, overhaul is long, it's intense; SRA's, or selected restricted availabilities, are shorter, somewhat focused on the same type of thing. Phased maintenance availabilities are tailored to a particular ship type itself, and they are generally less complex.

Mr. **Daniel**. There is just one other thing that I want to ask you to expand on. That is the buy in. What sort of problem does that present for you, the nature of it, and what problems arise from the buy in?

Admiral **Rowden**. Of and by itself, the buy in does not in our understanding of any indicators we see, present any problems in quality, in cost, or in schedule at the present time in our interest. It does mean that more intensive management is required in a less cooperative atmosphere. I believe that there is an injury to the industry that results from buy ins, and generally it occurs in the companies, in the private companies that are not well capitalized. They have a very difficult time working in a buy in situation. It's very difficult for them. In my opinion, over time, that will cause an erosion of that very important industrial base that we have.

Now, please don't misunderstand me. We should not preclude new industries from coming onboard. Certainly we should encourage new industry to come onboard, because if we don't do that, stagnation results. But there has to be a balance between those two.

So, buy ins, I believe, will over time cause a problem to the quality and value not only that we get but that the public is able to impart.

I said we have taken measures to work on the buy in problem. We have a ship currently under contract in a private shipyard wherein the contractual agreement is that for any new work, emerging work, the contractor may bid on it, but we don't have to accept his bid. In other words, we will not be dealing in a sole source situation. We may have the Government perform or accomplish that work. We may have another contractor come in in a competitive sense and accomplish the work during the availability. Or we may defer the work until after the availability is over, compete it again as a package and have it performed elsewhere.

We think that these measures will tend to make bidders honest, in the sense of bidding on the scope of work that is in the work package, rather than counting on new work and emergent work, which is the problem of the buy in.

Mr. DANIEL. Mr. Whitehurst.

Mr. WHITEHURST. Thank you, Mr. Chairman.

You have no backlog on ship repair now. Everything is up to speed?

Admiral ROWDEN. That's correct, yes sir.

Mr. WHITEHURST. Could you give us an idea of what the picture will be like if Gramm-Rudman strikes in all of its fury and we have sequestration?

Admiral ROWDEN. I believe, in the maintenance business, we may be able to accommodate to the type of reduction that we see this year, the 4.9-percent reduction, which is a scope reduction in maintenance. It will mean certainly, Mr. Whitehurst, that we will do less work, because if you have less money, you do less work.

In my opinion, it is possible to accommodate that within the scope of the overhauls that we have. Now, as we go into greater reductions, the question is, do we get to the point where we are cutting into the bone? I really can't speculate on that.

I think we can handle what we have now. Into the future its certainly going to be a lot tougher. It's going to be a harder thing to handle. But it's a scope issue.

Mr. WHITEHURST. I think that's a good answer.

Just going along with us a little bit further, the civilian employment level in public shipyards in 1986 compared with the projection of 1987, how does it look?

Admiral ROWDEN. The civilian employment in a shipyard, of course, is dependent upon the income to the shipyard. If there's less income—and there is indeed less income in 1987 than there is in 1986, because of the $500 million reduction, among other things that has been imposed—the employment therefore has to be less. The projected end strength at the end of 1987 is approximately 68,500. The end strength at the end of 1985 was just a bit under 73,000. So, there is a reduction.

Mr. WHITEHURST. I know last year there was a fair amount of heartburn at the Naval Shipyard, Norfolk, about some cutbacks. I expect that in the approximately 18 years that I have been privileged to serve here, that has always been an issue that is around the corner, as far as the yard work force is concerned. Their representatives are always hammering on me: well, how does it look, how does it look, how does it look?

Even though I am departing the Congress, I still get these inquiries. I recognize that Gramm-Rudman could toss everything out the window as far as projections are concerned. But what you are telling me, I think, is rathe reassuring.

Let's talk about this ratio of public-to-private overhaul work. This is another favorite topic that just doesn't seem to go away. What's the ratio right now?

Admiral ROWDEN. The ratio right now is 33 percent—of the dollar value—private, with an additional 10 percent to be competed—these are rough figures, 10-point-something percent—to be competed, which could become private as well. In other words, it could be up to 43 percent with 33 percent as the base. Do I make myself clear?

Mr. WHITEHURST. Yes, that does.

Does this generally fall within the guidelines that you all have set for yourself?

Admiral ROWDEN. I believe it does. The guidelines that we have are in a Secretary of the Navy instruction, which says that we will have no more than 70 percent in the public yards. Therefore, in excess of 30 percent in the private yards certainly fall within the parameters of that instruction.

Mr. WHITEHURST. One other thing along the same line, I have several private yards in my district. I must say that I am very sensitive to their workloads. I tease them a little bit after I drive along waterside in Norfolk. I start looking to see if there is a Navy ship at NORSHIPCO, Metro Machine, one over at Jonathan. If I see those great ships there, I know they are not going to be calling me. If the drydocks are empty or they haven't got some parked alongside, I can be pretty sure I am going to be hearing from somebody.

They all have great work records, as a matter of fact. They are three fine yards. They do good work. They have been commended for it.

But they are always worried about what's down the road, and so forth, what's going to happen. Obviously, it is a very natural thing. It's not just sheer provincialism, that work is going to some other area and not staying there. And this is a matter of concern. And I understand that. I am genuinely sympathetic about it.

Looking at the numbers this year and recognizing that not all the eggs will be put in one basket, how would you describe the ship repair picture of the private yards for the next 12 months, Gramm-Rudman notwithstanding? Let's just put that aside.

Admiral ROWDEN. The fundamental issue, Mr. Whitehurst, is the fact that we have a certain amount of work to be done, and we have a capacity to do that much in excess of the available amount of work. And that is not new to you at all. I believe that we have been mindful of directing work to the private sector. I think that you will see that we have increased the amount of work in the private sector over the last several years. This year constitutes another increase.

So, I guess I would have to say that, within the amount of work that is generated from the Navy, I believe that there is a maximum amount being directed now to the private sector. There is the requirement, of course, that the public sector be maintained. Therefore, the public sector has to have work as well in order to be a useful entity.

Mr. WHITEHURST. It's a matter of semantics. When you say public sector, you are talking of private yards?

Admiral ROWDEN. I am sorry.

Mr. WHITEHURST. Of course.

Admiral ROWDEN. Let me identify. I am talking about the naval shipyards when I say the public sector.

Mr. **Whitehurst**. Oh, excuse me.

Admiral **Rowden**. When I say the private sector, I am talking about NORSHIPCO——

Mr. **Whitehurst**. OK. I am reading you there.

Admiral **Rowden**. But there is a balance required between these two. As I said earlier, it is absolutely essential that we have both of these forces working on our ships. We can't afford, in my mind, to abandon either one——

Mr. **Whitehurst**. Of course.

Admiral **Rowden** [continuing]. To favor either one. So, it's a very, very difficult problem. The outlook is tough, in a word. It has been tough for the last several years. I don't see, frankly, a great deal of improvement, because the amount of work available is about the same.

Mr. **Whitehurst**. If you have a private shipbuilding company—let's take Todd, for example, to pick one outside my district—and they are really hard-pressed. They haven't got any work on the horizon or have very little work in the yard itself. Therefore, they are experiencing a real survival problem. And they bid on a contract. Is their condition, being in extremis, as it were, a factor in their getting a contract or not, all other things being equal? Or does the Navy simply say: Well, if they go down the tube, they go down the tube?

That's a tough question.

Admiral **Rowden**. Let me put it this way. They are strict limitations within the Federal acquisition regulations and indeed within the law on determining where contracts are let. My principal tools in doing this, of course, are costs, but there are also requirements on the qualification of the individuals bidding. And I can assure you that we do look at this very carefully.

The issue that you point out, which is the degree of extremes, I do not become involved in. I would say that the question probably is more properly put to Mr. Pyatt because he deals with that sort of thing.

I would not like to leave you with the idea that we are insensitive to it, but I certainly would like to leave you with the idea that the problem to which you refer is not within the parameters in which I work. It's outside my responsibility.

Mr. **Whitehurst**. That's very candid. I appreciate that.

Thank you, Mr. Chairman. I think that's essentially what I wanted to ask these witnesses. You have been very frank. Thank you.

Mr. **Daniel**. Mr. Spence.

Mr. **Spence**. Thank you, Mr. Chairman.

Admiral, talking about the private and public yard work, are there any overhauls scheduled for fiscal year 1987 which haven't been decided as to whether or not they are going to be private or public yards?

Admiral **Rowden**. Yes, Mr. Spence. That 13 percent, is composed of five SSBN overhauls and five SRA's that the two SSBN's, they haven't been determined because they haven't been awarded. So, in answer to your question, Yes, it's not determined where those particular ships are to go.

In addition to that, any ship that has not been put out for bid at this time obviously hasn't been awarded; so therefore, we don't know specifically what yard it's going to go to.

Ships intended for the public, that is, the Naval shipyards, have been assigned.

Mr. SPENCE. That's why a decision hasn't been made yet——

Admiral ROWDEN. Yes.

Mr. SPENCE. I am concerned, of course, as I am sure you are, too, about the future of the employees in both yards and what might happen to them if we reduce the amount of work in either or both of them. Do you foresee any reduction in the workforce in the private yards because of the lack of work?

Admiral ROWDEN. In the private yards, in those that are privately owned, because of the lack of work I see no alternative but a loss of the workforce in those yards. Now, I know there's a lot of imaginative things that those yards are doing in attempting to take that industrial capability and funnel it elsewhere into the private sector, and that's useful. But beyond that, it would seem to me it's almost inevitable there has to be a reduction in the workforce.

Mr. SPENCE. How about the public yards? Of course, we have to be concerned about both of them.

Admiral ROWDEN. In the public yards, certainly I indicated to Mr. Whitehurst that there would be a reduction in the next year. Because of a loss of income, there will be a further reduction out into 1987 of about another 2,500 or 3,000 people by our projections. Now, we believe these reductions can all be made within normal attrition. So far, we have been able to do this. Therefore, the process is less hurtful from the standpoint of discharging people from work. They are allowed either to retire or move on as they see fit. But we do see some reduction, yes.

Mr. SPENCE. Do you think we will get to the place where we might have to close one of those yards?

Admiral ROWDEN. I don't think so, no, sir. I believe that—and, of course, I am perhaps a little subjective on this—that is a mobilization asset that the Navy has and that the Navy needs for the defense of the country. I believe that there is some minimum below which we should not drop in those shipyards such that we do have the proper mobilization base upon which to build.

Mr. SPENCE. I am concerned about that, too.

How about the overtime work in your public yards as planned for fiscal year 1987? How does that compare with what we had in fiscal year 1986?

Admiral ROWDEN. In fiscal year 1986 the objective is to hold overtime to 6.3 percent. I mention that in my statement.

We are making that now, and I believe we will continue to make it. It is a cost factor. And it's a discipline factor for the yard. We intend to bring that down a little bit in fiscal year 1987. The number I recall—and I may wish to correct this—is 5.8 percent. But it's in that neighborhood, and we think we can make that, too.

Mr. SPENCE. That is all I have, Mr. Chairman.

Mr. DANIEL. Thank you, Mr. Spence.

Admiral, tell us about the condition of the industrial base now as it applies to the Navy.

Admiral ROWDEN. I'm sorry, Mr. Chairman?

Mr. **Daniel**. Give us your views on the condition of the industrial base as it applies to the Navy.

Admiral **Rowden**. Well, there is, of course, the public sector, which is the naval shipyards, the eight naval shipyards. At the present time, we are doing maintenance——

Mr. **Daniel**. I am thinking more about, if you'll pardon me——

Admiral **Rowden**. Certainly.

Mr. **Daniel**. The contractor base.

Admiral **Rowden**. There are about 40 shipyards that are involved in the maintenance of Navy ships at the present time. These are on the east and west coasts and the gulf coast as well. As a general overall point, I think we can say that the quality of the work from those shipyards is as good now as we have seen it in the last number of years. I think that this is largely due to the management efforts in the yards, our ability to better specify what we want done, and our ability to be able to test what it is we're having done.

I believe that we are seeing that the work force—Mr. Spence's point—has shrunk over time. It continues to shrink because of the availability of work.

We have had several shipyards close over the last year. As I recall it's on the order of five, six or seven. I can provide you details on that. These shipyards have gone out of business around the country.

We had a shipyard. Some months ago Tacoma Boat, building ships for us. It went into chapter 11. Another shipyard that both builds and repair ships in San Diego declared chapter 11 several days ago. So the trend is toward less shipyards staying in business. It's not a healthy picture.

But what is being done is being done well.

Mr. **Daniel**. Let's take it a step further. What about materials and the number and quality of contractors that you need to perform this work in order that we can have competition?

Suppliers, for example. Are you short of any materials of any sort?

Admiral **Rowden**. No, no, we are not short of materials.

There are not material problems. There are few subcontractor problems, in general. There are occasional nodes of that. Those are not a particular problem.

There are plenty of bidders. As a matter of fact, there are more bidders than we need. That's the reason why we get into the buy-in situation, because there are people vying to win the contract; and they are willing to buying in. The Federal acquisition regulations require that I determine that the individual bidder can sustain the loss. And if I can convince myself of that, there is nothing wrong, nothing illegal, nothing prohibited inaccepting a low bid.

Mr. **Daniel**. It might actually have some economic benefits for you? In could.

Admiral **Rowden**. Yes, but those are—those economic benefits are short-range benefits for us, perhaps, and can be hurtful to the overall organization.

Mr. **Daniel**. How much of a cut do you have to take on March 1, the first sequestration?

Admiral **Rowden**. I don't know exactly, Mr. Chairman.

◆

Mr. DANIEL. Provide it.

Admiral ROWDEN. I can provide it exactly.

Mr. DANIEL. OK.

Admiral ROWDEN. It will be in the neighborhood of 4 to 5 percent.

[The following information was received for the record:]

FIRST SEQUESTRATION

The March 1, 1986 sequestration is 4.9 percent of the current funding available.

Mr. DANIEL. All right, sir. Now let's talk about management. Secretary Lehman directed that the fiscal year 1987 public shipyard budget include at least $500 million in management improvement savings. What can you tell us about that guidance and how those savings were accomplished?

Admiral ROWDEN. What we have done, Mr. Chairman, in that particular is we have taken the $500 million, gotten together with the shipyard commanders, and we have apportioned amounts of that to each one of the eight naval shipyards. Further, they have taken their apportionment, and they have divided it among the cost centers that they have on board in their shipyard to determine how they are going to increase their efficiencies, where they are going to take reductions in dollars to be able to produce the work that has been assigned at the present time. Our objective is not to reduce the scope of work, but to provide the same scope of work for a reduced amount of money.

We think that we have a good program in hand to do that. We think that we have properly motivated the shipyards in understanding what they have to do to meet the objectives of what it is we are trying to do. We are marching off now in 1986 to get ourselves into a position to be able to take on that $500 million reduction in 1987.

So, I believe it's healthy. I think it's a useful thing to attempt to try to do better with what it is you give us.

Mr. DANIEL. Let me ask you specifically about the Coopers-Lybrand. They have a $10.4 million contract to do a management review of Naval shipyards. The draft report of their findings given the Navy last August; I think that is right.

Can you tell us anything about those findings and what has been accomplished as a result of it?

Admiral ROWDEN. The Coopers and Lybrand people were brought on board as competent management individuals to take a look at the Navy's handling of the Navy industrial fund. The Naval shipyards are, of course, a big piece of that Navy Industrial Fund. They have looked at other areas such as the Naval aviation rework facilities and the Military Sealift Command, and places like that. Specifically within the shipyards, their principal focus was on producing quality within schedule but with a cost consciousness. They did not find a cost consciousness permeating the Naval shipyards.

They have submitted as I recall, 150-odd recommendations for the better operation of the Naval shipyards, associated with cost accounting, with materiel accounting, with proper time accounting of work to jobs, and things of this nature all of which should prove useful in the aggregate to the operation of the shipyards.

We have taken those recommendations in a manner similar to my description of the $500 million cut, gotten all of the shipyard commanders together, gone through these things, worked them out into the shipyards in a manner appropriate to the particular shipyard, and started to work on the implementation of the recommendations. Not all recommendations are appropriate to all the shipyards but many of them are. We are starting to work on that now.

Mr. DANIEL. I found when I was in industry that management consultants are usually brainpickers and probably just remind you of a lot of the things that you already knew and maybe just haven't put into effect.

What about your internal management studies? What have they revealed?

Admiral ROWDEN. I will tell you very candidly that in the Coopers and Lybrand study there is probably not a single thing that we didn't already understand or were not aware of. What it has done is a couple of things. It has focused the attention of senior management of the Navy on the problem. If you tell a guy at the bottom of the heap to go do something that is beyond the scope of his ability to implement, he doesn't have a very good track record in getting that done. That is what has happened to us before. Now we have a focus on it.

The second thing, it seems to me, that is advantageous, is that these people are pretty good. You say they're brainpickers, and that's correct. But they're pretty smart people. They are now starting to get involved in the implementation of some of their brighter ideas.

Mr. DANIEL. Indeed they are——

Admiral ROWDEN. And that——

Mr. DANIEL. I didn't mean to say it derogatorily. They stimulate you a lot of times.

Admiral ROWDEN. Yes, sir.

Mr. DANIEL. Yes.

Tell us a little bit about your asset capitalization.

Admiral ROWDEN. The asset capitalization program started 3 years ago. It was to take some of the funds generated in the Navy Industrial Fund and plow them back into the organization to capitalize the assets that we use to accomplish work in the naval shipyards. Before that time, appropriated funds were used. In other words, it is permitting the Navy ship repair and overhaul program to support its own capitalization, probably a pretty good idea.

In the first couple of years, the program was not fully funded. In the last year or so, it has increased to over $170 million. We now are beginning to get equipments and materials in place. I believe we will see some results from that about the time that we get into the effect of the $500 million cut in 1987, Mr. Chairman. So, I think we will begin to see some results from the asset capitalization program.

Mr. DANIEL. Mr. Price, we are mighty happy to have you join us. It is good to have you aboard.

How about inventory controls now? There were inventory control recommendations contained in the May 6, 1985, General Accounting Office [GAO]. report. Discuss that with us a bit and tell us whether you thought it was a valid study and, if so, what have you done with it?

Admiral ROWDEN. That looked at four shipyards, Mr. Chairman. I think it was two on the east coast and two on the west coast. The report came up with six principal recommendations, all of which were solid, all of which were valid. We have taken each one of those recommendations. We are implementing them now in the Naval shipyards.

We take no issue at all with what the GAO said in that report.

Mr. DANIEL. At what point do you stand now in implementing those recommendations?

Admiral ROWDEN. We have started implementing them. I could provide a definitive answer for the record. I would judge we are probably halfway into it, but it's probably uneven among all six.

[The following information was received for the record:]

IMPLEMENTATION OF GAO RECOMMENDATIONS

NAVSEA has initiated several programs to respond to the GAO recommendations:

All shipyards have instituted a "clean sweep" program to recover, record, and identify unrecorded material. This program will take several years to complete.

An information requirements statement for a Material Information Management System was drafted and distributed for comment. This system will record material usage data which can be applied to subsequent overhauls. Several user group meetings have been held to attempt to further define the requirements statement. The Navy intends to evaluate whether off-the-shelf software can satisfy the requirements or if new software will have to be developed.

In the short term, individual shipyards have instituted local procedures to attempt to make use of, in material planning, the material history data that is available.

The Secretary of the Navy initiated a study by Coopers and Lybrand of the management of all Navy Industrial Fund activities which noted various deficiencies in the area of material management in the shipyards, including the ones noted in the GAO report. The Secretary subsequently tasked Coopers and Lybrand to work with NAVSEA to develop a plan to implement the recommendations in the study. All of the previous NAVSEA initiatives have now been incorporated into the Coopers and Lybrand implementation plan. This plan calls for development and implementation, in a lead yard over the next year, of the policies, procedures, and systems required to solve the material management problems identified in the study. The solutions will then be implemented in the remaining yards.

Mr. DANIEL. Mr. Spence, do you have any additional questions?

Mr. SPENCE. No, Mr. Chairman.

Mr. DANIEL. Mr. Price, do you have any questions?

Mr. PRICE. No.

Mr. DANIEL. Well now, how are we going to let Admiral Richardson get off without saying anything?

Admiral ROWDEN. He ought to make a speech at least.

Mr. DANIEL. We will entertain it at this moment.

Admiral, do you have anything you would like to add?

Admiral RICHARDSON. No, I have nothing to add, sir. I am glad to be here.

Mr. DANIEL. This is the best hearing that I have had in my 18 years. We are through. We appreciate the information. We will have a few more questions which are rather involved. We would like to submit them to you for the record and if you will respond to those as rapidly as you can, we would appreciate it.

Mr. DANIEL. Additionally, Admiral, I am on a very restricted schedule, a compressed schedule this year, as you know. Any backup material that you might have that you think would be helpful to the committee in reaching some sound conclusions, we would appreciate having that at the earliest possible date.

Admiral **Rowden**. Yes, sir.

Prepared Statement of Vice Adm. William H. Rowden

Good afternoon Mr. Chairman and distinguished Subcommittee members. I am Vice Admiral William H. Rowden, Commander of the Naval Sea Systems Command, and I appreciate the opportunity to appear before this Subcommittee and discuss the depot maintenance and modernization programs.

Last year, changes were made with respect to the responsibilities associated with the Navy Ship Maintenance and Modernization Program. Execution of the program now rests with me in the Naval Sea Systems Command. The Chief of Naval Operations (CNO) is charged with responsibility for ship maintenance policy for repairs and modernization of U.S. Navy ships. I am happy to report that this reorganization has proven most effective in managing this important program.

Before discussing the schedule and financial trends, which are of special interest, I'd like to review the Navy's maintenance and modernization policy and the maintenance plans employed to reach our goals.

The Navy's policy is to maintain our ships so they are fully capable of performing their assigned missions, and to do this in the most cost effective manner. This requires maintenance and modernization work to be performed at the most efficient level of maintenance throughout the ship's life cycle. Paramount in the execution of this policy is product quality, because the Navy's ships and shipborne weapons systems are keystones in our Nation's forward defense strategy.

There are several maintenance plans used to meet our policy objectives. The majority of our surface ships and submarines are on extended operating cycles, which means that these units spend more time in the Fleet between overhauls. We have adopted this strategy based upon the application of condition-directed repairs.

We have been able to increase the interval between overhauls for most surface ships from 4-5 years in 1978 to 6-7 years today. We have extended the interval for our major class of attack submarines (SSNs) from 4 years in 1971 to the current 7 years. The interval for our strategic Poseidon submarines (SSBNs) has been increased from 6 years in 1970 to the present 12 years.

Interspersed between these overhauls are selected restricted availabilities, some including drydocking. They are usually less than 6 months long, and are intended to correct emergent deficiencies, and perform planned maintenance to maintain a high level of readiness. This strategy allows us to increase our number of operational ship days and therefore increase overall availability and Fleet readiness.

Another maintenance strategy is the Phased Maintenance Program. There are 23 surface ship classes in or soon to be inducted into this program. Our studies have shown that these ships can maintain prescribed material readiness and modernization objectives through the use of short availabilities. A unique maintenance plan is tailored for each ship class.

A third maintenance strategy is the Progressive Overhaul Plan. The *Oliver Hazard Perry* (FFG 7)-class and the *Pegasus* (PHM)-class were designed to operate for 10 years between overhauls. To correct emergent deficiencies, 8-week availabilities are scheduled at intervals of 20-24 months to substantially increase combat capabilities. Longer availabilities are occasionally needed to make large alterations.

In addition, the sailors who man our ships, tenders, and shore maintenance facilities continue to have a significant role in the execution of our maintenance plans. Their efforts are essential for minimizing the backlog of deferred repairs. We will also continue to see an increased requirement for selected Naval Reservists in the intermediate maintenance field as we expand to the 600-ship Navy and as more ships migrate to the Naval Reserve Force.

These extended operating cycles are by no means accidental or stroke-of-the-pen strategies. On the contrary, our strengthened maintenance programs reflect the effort and money that Congress has put into personnel benefits and maintenance programs over recent years. For example, increased retention of Senior Petty Officers has improved the ability of the Fleet to maintain equipment and systems.

We are also using increased technology to build more reliable equipment without gold plating; our repair and preventive maintenance procedures have improved; and our shipbuilding program is reducing the overall age of our Fleet, thereby requiring less repairs. All readiness indicators are up and we believe our maintenance strategies to be sound.

As we extend the interval between overhauls, there is less opportunity to accomplish modernization. To offset this, we have implemented such initiatives as the SSN Submarine Engineered Operating Cycle Modernization Program, which permits a shipyard "Tiger Team" to accomplish high priority alterations during a ship's normal refit period. However, those ship alterations that make major mission improvements normally require long availabilities. We continue to assess the baseline warfighting capability of each ship class to see how it measures up in performing assigned missions, considering present and projected enemy threats. From this assessment, a Warfighting Improvement Plan is generated which outlines the block upgrades required of each class. With these plans we can judge cost versus payback, and also schedule alterations in the most effective manner during various length availabilities.

As part of the overall effort to reduce costs, NAVSEA is conducting a 2-ship pilot program to determine the benefits of competing ship repair and modernization work between public and private shipyards. The approach will compare costs the Navy—not prices bid—and quality of performance. There will be a thorough study of cost and quality after completion of the overhauls in January 1987.

The pilot program consists of 2 amphibious transport docks (LPD) homeported on the West Coast. Equivalent work packages were prepared for each ship. A coastwide solicitation for U.S.S. *Duluth* (LPD-6) was issued to both public and private shipyards. *Duluth* was awarded to Northwest Marine Iron Works of Portland, Oregon. Approximately 50 percent of the work has been completed. Consistent with our plan to compare costs between the public and private sectors, U.S.S. *Cleveland* (LPD-7) was assigned to Long Beach Naval Shipyard. Technical and fiscal performance are being validated during the overhauls to ensure an equal basis for evaluation.

Changes to the work package for each ship during the overhaul are being closely controlled so that the level of effort will remain essentially equivalent. The project will be closely monitored throughout for performance. When the overhauls are completed and all the data relating to cost and quality have been collected and analyzed, the private and public shipyards' performance will be compared by independent evaluators, assisted by representatives from all participants.

This initiative toward full and open competition between the private and public sectors for the Navy's repair and overhaul work should be instrumental in lowering the cost to the Navy, as our competition in new ship construction has been.

In FY 86, in response to Congressional direction for at least 4 ships to be competed between the public and private sectors, the competition has been expanded to include 2 ships on the East Coast and 4 on the West Coast. U.S.S. *L.Y. Spear* (AS 36) and U.S.S. *Mahan* (DDG 42) are the East Coast candidates, while U.S.S. *Albert David* (FF 1050), U.S.S. *O'Callahan* (FF 1051), U.S.S. *Fletcher* (DD 992), and U.S.S. *Fort Fisher* (LSD 40) are the West Coast candidates.

In addition, NAVSEA is in the process of competing submarine availabilities. SSBN overhauls, SSN selected restricted availabilities, and SSBN extended refit periods previously assigned on a sole source basis are now being opened to competition between public and private shipyards. The first submarine availabilities to be competed between the public and private sectors are the SSBN 640 and 643 overhauls, which are scheduled to begin during FY 86.

There has been considerable interest in the "buying in" or so called "low balling" of Navy ship repair by the private sector. This is the practice of bidding too low on an availability (at a loss) in anticipation of making up the loss through contract changes on growth and new work during the availability.

To limit the cost of new work, we have developed a new policy clause and are using it for the first time in the U.S.S. *Ingersoll* overhaul contract with Todd Shipyard's Los Angeles Division. The clause states that "whenever new work is required by the Government, the Contractor will be afforded the opportunity to submit a proposal to accomplish the work." The Contractor and the Contracting Officer shall negotiate the scope of the effort. If a fair and reasonable target price cannot be reached, the Contracting Officer reserves the right to:

Have the work performed by the Government;

Compete the work for accomplishment by a third party contractor at the overhaul site concurrent with the Contractor's continued performance; or

Defer the work to a designated post-overhaul repair period which will be the subject of a separate competitive procurement.

It is anticipated that this special clause will place the Navy in a significantly better negotiating position and reduce the prime contractor's leverage to dictate prices in new and growth work. An evaluation will be conducted to determine the effect of the new contract language.

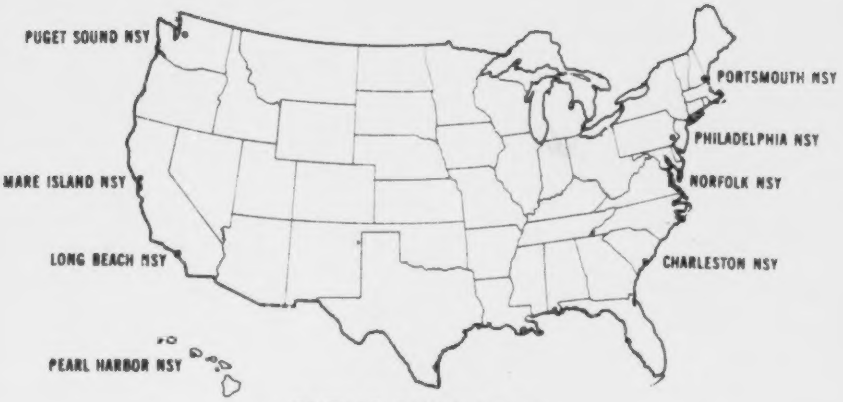
The Navy's depot maintenance capability is an essential part of the Fleet's readiness for war. It consists of the eight geographically dispersed Naval Shipyards and 40 private sector shipyards, shown in Charts 1 and 2, respectively, that regularly perform Navy overhaul and repair work. In order to maintain an adequate geographically distributed industrial base, we have discontinued the policy of reserving one-third of the private sector overhauls for homeport accomplishment. Now, all active ship private sector overhauls with a duration of more than 6 months are competed coastwide. Further, as directed by Congress, we are beginning the competition of all private sector reserve Fleet availabilities on a coastwide basis. An exception is those Naval Reserve ships that do not occupy a homeport with the active Fleet.

Since 1967, the 8 Naval Shipyards have done repair and modernization work exclusively. Six of these 8 yards are qualified for the overhaul of nuclear-powered ships. Two of the private sector shipyards are qualified to perform overhaul to nuclear-powered ships.

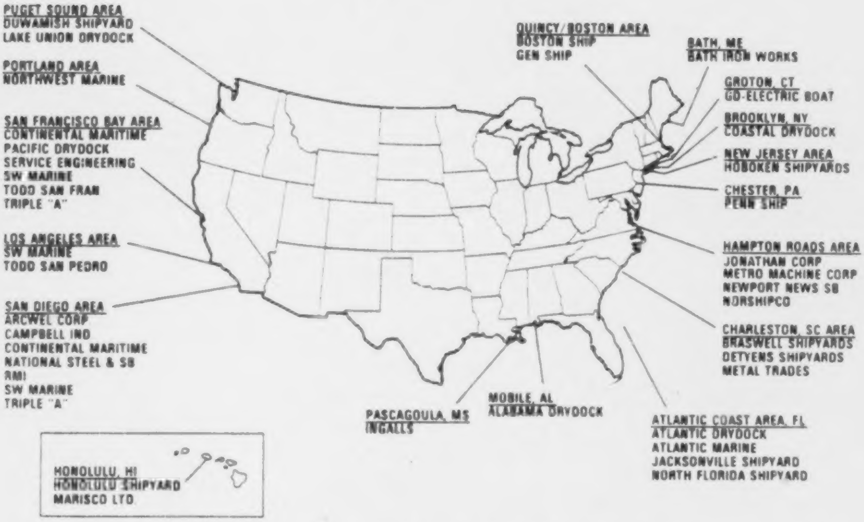
The FY 87 Ship Maintenance and Modernization Program includes 37 active Navy overhauls, including 1 aircraft carrier, 5 fleet ballistic submarines, 8 nuclear attack submarines, 15 surface combatants, 3 amphibious, 4 auxiliaries, and 1 mine countermeasure ship. This is a downward trend over the past years, from a high of 90 in FY 77 to 37 each in FYs 86 and 87. In keeping with the maintenance strategy I mentioned earlier, SRAs and PMAs are showing a corresponding increase. With your help, we have maintained a zero financial backlog in FYs 85, 86, and 87.

Although there have been increases from 1 year to another, the dollar value and associated manday requirements are more a function of the particular ship mix that the absolute number of overhauls. For example, the total number of active ship overhauls will not change from FY 86 to FY 87, but the total cost of the program will decrease. This can be attributed largely to the fact that the FY 87 ship mix includes fewer SSNs, which are relatively expensive to overhaul.

The Fleet Modernization Program (FMP) is the Navy's program to improve warfighting and mission capabilities of existing ships to counter both current and potential enemy threats. The modernization program also installs alterations related to safety, habitability, reliability and maintainability, and pollution abatement.



PUBLIC SHIPYARDS
CHART 1



PRIVATE SHIPYARDS WITH NAVY OVERHAUL AND REPAIR WORK DURING FY 1985 (1 JANUARY 1986)
(40 SHIPYARDS)
CHART 2

The FMP has recently undergone major management transitions and has just completed its most successful year. It was also the largest budget to date ($1.5 billion) and included accomplishment of over 3,000 major ship alterations in 233 ships. In the past, modernization efforts have been concentrated on ships at mid-life when they had the greatest need for technological upgrade. Today, however, substantial Fleet Modernization Program resources go to newer ships which are receiving major combat systems after delivery.

This Fleet modernization effort is required to meet the growing threat faced by our Navy. The larger alteration packages on relatively new ships account for a significant portion of the FY 87 FMP. For example, the early FFG 7-class ships will receive LAMPS MK 111, Close-In Weapons System (CIWS), and fin stabilizers. DD 963 *Spruance*-class ships will receive LAMPS 111, Outboard, Anti-Missile Defense, Tomahawk Vertical Launch System, CIWS, and Target Acquisition Systems.

I have no reservations concerning the executability of the FY 87 Fleet Modernization Program. In recent years, we have significantly increased the rate of completed alterations, and greatly reduced the number of alterations deferred for avoidable reasons. These improvements have been accomplished through specific initiatives to upgrade the technical quality of ship alterations, the identification and tracking of required materials, and improved program oversight measures.

They have added greatly to the flexibility and effectiveness of the Fleet Modernization Program. Our ability to continue these improvements is largely dependent on the continued availability of resources for advance planning and design efforts.

Throughout the past 5 years, the Naval Shipyards have concentrated on meeting schedule commitments and performing quality work on the Navy's most complex ships. This effort, although successful in meeting completion dates for ship repair work, is not always the most cost effective. Recent initiatives to improve efficiency in the Naval Shipyards without program reductions, include a cost reduction goal of $500M in FY 87. In October 1985, I directed the Naval Shipyards to reduce FY 86 overtime by approximately 3.2 million manhours and to carry out their programs at a composite overtime rate of 6.3 percent for FY 86, which is a substantial reduction from 10.3 percent in FY 85.

The objective of these initiatives is to improve overall shipyard cost efficiency while accomplishing the same level and quality of work. Reductions will be achieved through shipyard efficiency and productivity improvements in the areas of work definition, labor, and material and with resultant reduction in overhead expense. However, as the size of shipyards decrease, and we optimize cost reduction, we can expect some increase in the time required to perform each availability.

The combined employment level of the 8 public yards was 75,856 in June 1985. On December 31, 1985 it was 72,485. It is expected that shipyard employment will be reduced to about 68,000 by the end of FY 86 to comply with the budget.

In summary, our initiatives are showing results. Ships are in better condition, as demonstrated by improved readiness indices. They spend less time undergoing depot maintenance and more time is available for operations.

We have taken numerous steps to ensure that Navy shipwork is performed at optimum intervals and as cost effectively as possible. In addition, we are using our technical engineering expertise at NAVSEA to maintain the high quality of work demanded by the Navy's essential mission.

As you know, we have been busy building a 600-ship Navy to support our maritime strategy and meet our Nation's global requirements. We recognize that maintenance and operation of this expanded, revitalized Fleet depends greatly on our ability to provide affordable and effective shipwork in the future. I can assure you that—with the continued support of Congress—we will meet the challenge.

Mr. Chairman, this concludes my prepared statement. I am ready to respond to your questions at this time.

Mr. Daniel. With that, the subcommittee stands adjourned. We recess until tomorrow at 10 o'clock.

[Whereupon, at 3 p.m., the subcommittee was recessed, to reconvene at 10 a.m. the following day.]

[The following questions were submitted to be answered for the record:]

DEFINITIONS

Question. Admiral, for clarification purposes would you briefly explain the difference between a ship overhaul and other kinds of ship maintenance?

Admiral ROWDEN. There are three variations of Navy maintenance strategy requiring a depot level industrial capacity. Normally, the industrial level accomplishes ship Regular Overhauls (ROH's), Selected Restricted Availabilities (SRA's) and Phased Maintenance Availabilities (PMA's). SRA's are short labor intensive availabilities that are assigned to accomplish work that is required to sustain the material readiness condition of the ship between ROH's. PMA's are also short labor intensive availabilities scheduled for the ship assigned to general repairs and alterations. Ships assigned to the Phased Maintenance Program are maintained using a series of PMA's in lieu of overhauls.

Additionally, the maintenance program includes Restricted Availabilities (RAV) to accomplish specific items of repair. These RAV availabilities include emergent voyage repairs, interim drydockings, battery renewals, post shakedown availabilities, and various other repairs.

PUBLIC VERSUS PRIVATE OVERHAUL SPLIT

QUESTION. Admiral, for clarification purposes would you briefly explain the current Navy policy with regard to the portion of ship overhauls done in public shipyards versus private shipyards?

Admiral ROWDEN. Ships are generally classified as to their complexity for depot availability assignment. Current ship classifications are: Complex, moderately complex and non complex. Complex ships are assigned to Naval Shipyards or to private shipyards specifically qualified for particular work associated with the availability. Moderately complex ships are assigned to both Naval Shipyards and private shipyards. Non complex ships are normally assigned to the private sector.

FISCAL YEAR 1987 SHIP MAINTENANCE BUDGET

Question. Admiral, how many ship overhauls are scheduled for fiscal year 1987? How does that compare with fiscal year 1986?

Answer. Thirty-seven (37) ship overhauls are scheduled for each fiscal year; 1986 and 1987. Although the number of ship overhauls are the same for fiscal year 1986 and 1987, the ship mix (types) and quantities are different. Specifically, FY87 has a reduced dollar requirement compared to FY86 primarily due to the Navy initiative to reduce costs in public shipyards.

PUBLIC/PRIVATE OVERHAUL SPLIT

QUESTION. Admiral, how does your fiscal year 1987 overhaul schedule break out percentage-wise, public versus private shipyards?

Admiral ROWDEN. The fiscal year 1987 overhaul schedule breakdown percentage is 53 percent for public shipyards, 33.6 percent for private shipyards and 13.4 percent to be competed between the public and private sectors.

FISCAL YEAR 1987 SHIP OVERHAUL SCHEDULE

QUESTION. Admiral, what is the total dollar amount of the fiscal year 1987 Ship Maintenance request including funds for overhauls, SRA's, PMA's, and other maintenance?

Admiral ROWDEN. The total fiscal 1987 requested dollar amount for Ship Maintenance follows:

[In millions of dollars]

Scheduled overhauls	$2,288.9
Restricted availabilities (SRA's and PMS's)	1,565.0
Fleet modernization	1,542.9
Intermediate maintenance	388.4
Technical support	147.6
Initial outfitting	393.6
Berthing/messing	40.9
Total	6,367.3

SHIP OVERHAUL BACKLOG

Question. Admiral, we understand that there was no ship overhaul backlog as of the fiscal year 1986 budget request. With the implementation of the fiscal year 1986 Gramm/Rudman sequestration, will this continue to be the situation?

Answer. The results of Gramm/Rudman are still being reviewed within the Navy. Specific program scope reductions have not yet been determined. The funding adjustment may change before the end of the fiscal year based on relative program priorities and emergent funding requirements.

PUBLIC/PRIVATE OVERHAUL SPLIT

QUESTION. Admiral, are there any overhauls scheduled for fiscal year 1987 which are undecided as to whether they will be done in a public or private shipyard? Why hasn't that decision been made and how will it be made?

Admiral ROWDEN. At present the fiscal year 1987 depot maintenance overhaul program has five ships that have not been assigned to either the public or the private sector. A decision has been made to compete these five ships between the public and private sectors. The award of the contracts will dictate the sector assignment. Additional ships may be nominated for public/private competition.

OVERHAUL SCHEDULE MODIFICATIONS

QUESTION. Admiral, were there any overhauls originally planned for Fiscal Year (FY) 1986 which were actually funded with FY 1985 funds? Please explain the circumstances if this was the case and what happened to the 1986 funds allocated to the rescheduled overhaul.

Admiral ROWDEN. There were two overhauls originally planned for FY 1986 that were rescheduled and funded in FY 1985. SSBN 640 was deferred to FY 86 from FY 85 because of difficulty in arriving at the contract price, and SSBN 634 was advanced from FY 86 to FY 85 as compensation. CG 26 was advanced from FY 86 to FY 85 because of a deployment requirement and CG 34 was advanced from FY 87 to FY 86 as compensation.

RATIO OF PUBLIC TO PRIVATE OVERHAUL WORK

QUESTION. Admiral, we understand that the current fiscal year 1987 overhaul plan calls for approximately 33 percent of the work to be done in public shipyards and that an additional 13 percent will be competed between public and private shipyards. First, can you confirm that plan? Second, if that is the plan and private shipyards win those competitions, won't that result in a public/private shipyard work ratio of 54 percent versus 46 percent? What about the 70/30 split policy?

Answer. As the depot maintenance program now stands, 33.6 percent will be accomplished in private shipyards and 13.4 percent of the work will be competitively assigned between the public and private sectors. If the private sector is awarded all competition availabilities, the ratio would become 47 percent private and 53 percent public.

The 70/30 split policy has been in existence for many years. It expresses our method of assigning shipwork to both the public and private shipyards. Generally, complex ships are accomplished in Naval shipyards and certain private shipyards that have the capability to perform this work. Moderately complex ships are assigned to either public or private shipyards and non-complex ship repair work is normally assigned to private shipyards. While more ship availabilities are chosen for public/private competition, as part of the effort to reduce costs, the traditional 70/30 split policy may become less of a standard value.

SHIPYARD CIVILIAN EMPLOYMENT LEVEL

QUESTION. Admiral, what is the civilian employment level in public shipyards in 1986 compared to that projected in 1987? What can you tell us about any trend?

Admiral ROWDEN. During the past year the employment level of Naval Shipyards has decreased from 78,000 to 73,000 employees as of 31 December 1985. Employment at the Naval Shipyards will continue to be reduced to a FY 1987 budgeted end strength of approximately 66,000 employees. There are several factors that could further influence shipyard employment. These factors include changes in workload due to competition between the public and private sector and the impact of the Gramm/Rudman/Hollings Act.

QUESTION. Admiral, at what point will continued reduced civilian employment levels force the Navy to look at consolidating capabilities and possibly closing one of the eight public shipyards?

Admiral ROWDEN. The budgeted reduction of employment to about 65,000 by the end of FY 1987 will not cause closing of any Naval Shipyards. We do not currently plan any consolidations or closures.

Question. Admiral, in planned civilian employment reductions at public shipyards, why does it appear that West Coast shipyards are being reduced by greater percentages than East Coast yards?

Admiral **Rowden.** The planned civilian employment level at each public shipyard is a function of the budgeted workload. The budgeted workload on the West Coast is less than that on the East Coast.

SHIPYARD OVERTIME

Question. Admiral, what is your public shipyard overtime rate planned for FY 1987? How does that compare with your 1986 planned rare? Are you meeting your 1986 goal?

Admiral **Rowden.** The FY 87 congressional budget has a 5.8 percent overtime rate for the Naval Shipyards. The FY 86 rate is 6.3 percent. We are on track to meet the FY 86 goal.

PUBLIC/PRIVATE OVERHAUL COMPETITION

Question. Admiral, what can you tell us about the overhaul comparison involving the U.S.S. *Cleveland* (LPD 7) at Long Beach Naval Shipyard and the U.S.S *Duluth* (LPD 6) at Northwest Marine? Are we going to get any really worthwhile information or data which we can "compare"?

Admiral **Rowden.** U.S.S *Duluth* (LPD 6) started overhaul at Northwest Marine in Portland, Oregon on 30 September 1985. As is common in managing overhauls, we have, to date, conducted on-site formal progress reviews at the 25 percent and 50 percent progress points. In accordance with our plan for the Public/Private Sector test competition, we also convened on-site the team assigned to monitor the competition aspects of the overhaul. The team is independent of the local supervising naval activity. The team is examining physical progress, workforce manning, quality control, schedule management, and cost management of the overhaul. The team has full access to both naval supervision data and Northwest Marine data. Northwest Marine has been very cooperative in this effort.

The monitoring team has had no difficulty in obtaining data. They have literally walked the ship and the shops to observe work in progress. They have been provided physical progress, manhour, and cost data by Northwest Marine. The team reports no difficulty in collecting what they feel at this time are meaningful data. The team will also depend upon a post-overhaul inspection by the Navy Board of Inspector and Survey (INSURV) for an independent quality check of the overhaul.

U.S.S. *Cleveland* (LPD 7) is scheduled to begin overhaul on 7 April 1986. Long Beach Naval Shipyard will, of course, provide any data the monitoring team requires.

I fully expect that we will have all the data required to make a meaningful comparison of cost and schedule and technical success of the overhaul. I cannot predict at this time, however, what the test results will be.

Question. Admiral, has the Defense Contract Audit Agency (DCAA) done any work at Northwest Marine to verify the accuracy of charges involved in the U.S.S. *Duluth* overhaul contract? If not, why not?

Admiral **Rowden.** DCAA has maintained audit contact with Northwest Marine (NWM) since the inception of U.S.S. *Duluth* overhaul. The primary objective of DCAA's evaluation of NWM is to verify the accuracy of charges to the Government during the overhaul. In so doing, they have evaluated progress billing submitted by NWM to ascertain progress that rates used are allowable in terms of costs incurred and federal acquisition regulations, and that the billings reflect labor hours, material, and subcontractors services as actually used during U.S.S. *Duluth* overhaul. The DCAA audit includes floor-checks and other audit procedures at NWM to assure that labor hours charged to U.S.S. *Duluth* were, in fact, appropriate.

OVERHAUL OF FF-1050 AND FF-1051

Question. Admiral, if the overhauls of the FF-1050 and FF-1051 are moved from the Long Beach Naval Shipyard to some other location, what will be the effect on the Long Beach yard?

Admiral **Rowden.** The loss of both FF 1050 and FF 1051 from Long Beach Naval Shipyard (LBNSY) could cause a serious labor workforce imbalance from July 1986 through June 1987. We are currently reviewing this problem. Long Beach Naval Shipyard will of course, submit proposals for doing this work.

SHIPYARD SKILLED WORKFORCE

QUESTION. Admiral, as the level of work at public shipyards declines, does the Navy have a plan to retain and effectively use the current skilled shipyard workforce?

Admiral ROWDEN. Navy will retain skilled employees at our Naval Shipyards commensurate with the workload.

SHIPYARD MANAGEMENT IMPROVEMENTS

QUESTION. Admiral, we understand that Secretary Lehman directed that the Fiscal Year (FY) 1987 public shipyard budget include at least $500 million in management improvement savings. What can you tell us about that guidance and how those savings were accomplished?

Admiral ROWDEN. The cost reduction program in the public shipyards requires accomplishment of work commencing in FY 87 for $500M less than had been estimated during the budget development process. The reduction in revenue, applied to preprogram work levels, must be offset by cost improvements in the expenditure of direct labor, direct material and overhead. The public shipyards have each been assigned their share of the $500M reduction and are developing plans to achieve the savings approximate to the objectives of the program. Although the shipyards have not completed their planning, NAVSEA expects the improvements to be realized through productivity gains, elimination or reduction of some overhead expenses and reductions in the amount of surplus direct material inventories. Those cost performance improvements are to be achieved through efficiency improvement and not through reductions of program scope or quality.

COOPERS & LYBRAND MANAGEMENT STUDY

QUESTION. Admiral, we understand that the firm of Coopers and Lybrand currently has a $10.4 million contract to do a management review of Naval Shipyards. We also understand that a draft report of their findings was given to the Navy last August. What can you tell us about their findings and recommendations?

Admiral ROWDEN. Coopers and Lybrand (C&L) findings substantiated many of the efficiencies and improvements identified by NAVSEA as part of an ongoing shipyard improvement program. Specifically, C&L provided a comprehensive management analysis drawing up procedures used in the private sector and made specific recommendations. These recommendations were categorized in seven areas: General Management, Operations, Engineering, Organization, Material Management, Financial Management and Management Information Systems. The Navy has accepted their recommendations and agreed on an implementation plan.

NAVY INTERNAL SHIPYARD MANAGEMENT STUDIES

QUESTION. Admiral, in past years the subcommittee has received information concerning several Navy internal shipyard management studies including such programs as the Depot Operations Improvement Program (DOIP). Have any of those internal studies and reviews resulted in significant improvement and savings? What does the Navy expect that the $10.4 million Coopers and Lybrand contract will recommend that hasn't been identified in previous internal studies?

Admiral ROWDEN. The $10.4 million Coopers and Lybrand contract covered several of the industrial funded activities besides shipyards. For the shipyard portion, recommendations are in consensus with those from past studies; however, the Coopers and Lybrand effort has focused high level Navy attention on the industrial funded activities.

ASSET CAPITALIZATION

QUESTION. Admiral, would you please give us an undate on the Asset Capitalization program as it applies to Navy Shipyards?

Admiral ROWDEN. Funding levels of the Asset Capitalization Program were constrained in FY 83 and FY 84. FY 85 was the first year in which the funding level was adequate to support the potential benefits of the program, including investments in productivity improvements, introduction of new technologies, and replacement of obsolescent equipment. The gains to be realized in FY 85 and FY 86 were partially offset, however, by the need to fund certain directed programs (e.g., ADP lease buyouts) as well as major mission essential equipment procurements.

Funding levels for FY 85 and FY 86 were $182M and $178M respectively. During FY 85, $62.9M was expended on productivity enhancing equipments and $54.8M is projected for FY 86. The expected annual returns on these investments are $16.7M and $12.7M respectively. The FY 87 program is planned for $192M, of which 101.9M is targeted for productivity enhancing equipment. The expected annual return is $23.4M.

Current and future program goals include optimal use of multiple unit procurements in order to reduce unit cost and enhance interchangability of spare parts and software; increased investments in productivity enhancing equipment with a commensurate reduction in labor costs; and the gradual introduction of new technologies in order to maintain the competitiveness of the Naval Shipyards.

INVENTORY CONTROL

QUESTION. Admiral, what can you tell us about any Navy implementation of inventory control recommendations contained in the 6 May 1985 General Accounting Office (GAO) report?

Admiral ROWDEN. At the time of GAO Audit Report (6 May 1985) shipyards were under instructions to perform annual wall-to-wall inventories of shop store material. Additionally, they had imposed on them very restrictive stockage objectives for those stores. A NAVSEA Headquarters review was made of the situation extant in shipyards. It was found that shipyards could improve their performance in the areas of physical inventories and record accuracy. At the same time it was determined that more effective management of material inventories could be achieved through revised retention and disposal policies. This policy is currently under review and revision. Additionally, goals of 97 percent for location accuracy, and 95 percent for physical count accuracy were set and shipyards are working against those goals. Finally, the method of taking physical inventories is under review. Rather than taking an annual wall-to-wall inventory, Cyclic Inventory, based on the turn of the inventory, to achieve even greater accuracy is being reviewed for adoption in inventory management.

PUBLIC SHIPYARD COMPETITION

QUESTION. Admiral, as the Navy expands its program to compete work among public shipyards, won't this cause each public shipyard to become more protective of efficiency improvements developed so that it will have a competitive edge on other public yards?

Admiral ROWDEN. There is of course some possibility that our public shipyards will tend to become more protective, but it is our leadership challenge not to let this happen. We must continue to share technology and productivity improvements to ensure adequate support of the fleet and we intend to do that.

NATIONAL GUARD AND RESERVE OPERATION AND MAINTENANCE

House of Representatives,
Committee on Armed Services,
Readiness Subcommittee,
Washington, DC, Thursday, February 27, 1986.

The subcommittee met, pursuant to call, at 10 a.m., in room 340, Cannon House Office Building, Hon. Earl Hutto presiding.

STATEMENT OF HON. EARL HUTTO, A REPRESENTATIVE FROM FLORIDA

Mr. Hutto. The Subcommittee on Readiness will be in order. This morning the subcommittee will continue its consideration of the Department of Defense fiscal year 1987 operation and maintenance request with testimony from the National Guard and Reserve representatives and organizational witnesses.

I want to begin by saying how delighted I am that Chairman Daniel has asked me to fill in for him this morning. Like most Members of Congress, I have been a strong supporter of the National Guard and Reserves. And nothing has pleased me more than the rapid progress that has been made toward full integration of the Guard and Reserves within the total force concept since 1980. This, together with the dramatic improvements in Guard and Reserve readiness and capabilities over the past 5 years, represents an extraordinary success story.

Many contributed to that success and we owe all of them a real debt of gratitude—the leaders and members of the National Guard and Reserves for making it happen. But, I think it is also fair to say that Congress helped this process along and events have proven our advocacy and support were, indeed, well founded.

Certainly, no congressional initiative was any more important than the establishment of an Assistant Secretary of Defense for Reserve Affairs. Congress recognized that critical need for a strong and independent spokesman for Guard and Reserve interests within the Department of Defense. That is why we are delighted to welcome the Hon. James Webb as our first witness this morning. He has an outstanding background and grasp of Guard and Reserve issues and I am confident that he will continue to live up to our highest expectations as Assistant Secretary for Reserve Affairs.

On the other hand, the future success of the Guard and Reserves may depend on the outcome of less auspicious congressional initiatives—like the Gramm-Rudman-Hollings amendment. If fiscal year 1986 is any indication, the outlook is not too promising.

For example, congressional O&M add-ons to address Guard and Reserve priority unfunded readiness and operational requirements amounted to approximately $120 million. Against this, the Gramm-Rudman-Hollings sequestration will reduce the Guard and Reserve O&M accounts by $242 million. That means that for every dollar that Congress gave the Guard and Reserve during the authorization and appropriation process, it took back two through sequestration. I do not think this is the kind of congressional action the Guard and Reserve had in mind.

It would be one thing if we could be certain that this was a one-time occurrence. In fact, the Gramm-Rudman-Hollings casts an even deeper shadow over the defense budget in fiscal year 1987, and raises fundamental questions about the role of the authorization committees in the congressional budget process.

This is the kind of budget environment that breeds all sorts of proposals to get defense on the cheap. As you are well aware, one of the old standbys is cutback of Active Force structure and give more missions to the Guard and the Reserve. Certainly, we want to look for legitimate savings anywhere we can and we cannot overlook any sound proposal to provide military capability for less cost through greater reliance on the Reserve components. But, we must avoid at all costs a shell game where we provide missions and not resources.

The upshot is that we are going to have to grapple with more such proposals. To make matters worse, we will have less time this year to act if we are able to remain relevant in congressional budget deliberations. We are going to have to undertake a painful examination of all defense requirements to meet deficit reduction targets. We are going to have to look at options we have never looked at before. We are going to have to evaluate every program strictly on the basis of its contribution to readiness and military capability.

That is why I think that this hearing this morning is so important. If we are to make sound policy recommendations regarding the future contributions of the Guard and Reserves within the context of an austere budget environment, we need the best advice we can get. I believe we have that kind of expertise assembled in this room today, and we look forward to your testimony and candid views on these issues.

At this time I would like to recognize Mr. Whitehurst.

STATEMENT OF HON. G. WILLIAM WHITEHURST, A REPRESENTATIVE FROM VIRGINIA, RANKING MINORITY MEMBER, READINESS SUBCOMMITTEE

Mr. WHITEHURST. Thank you, Mr. Chairman.

I want to greet all of you gentlemen this morning, and I would like to join the chairman in welcoming you and the other witnesses who will be appearing before the subcommittee today.

I came in and I looked and saw some familiar faces, as well as some new ones.

General Walker, it is nice to have you, Generals Temple and Berkman back again. It is likewise good to see a familiar native face here, Admiral Kempf. The Navy must have been very pleased with your testimony last year, because I notice you have come back with another stripe, and we salute you on getting your third star.

Secretary Webb, it is particularly nice to see you here. I am always pleased to have a witness of your stature and knowledge.

General Buehl, I guess you and Admiral Breed are the new guys on the block, so to speak.

I think, admiral, if I am not mistaken, you are the first witness to testify to our subcommittee on behalf of the Coast Guard Reserves, so we welcome you aboard.

As you gentlemen probably know from my comments at similar hearings in the past, I am a very enthusiastic admirer of the Reserve and Guard programs. Your organizations have not only an impressive past record, but also have all the earmarkings of an equally impressive future.

As I indicated on several occasions recently, I cannot recall a period when your organizations were better manned, better trained, better equipped, and as ready to carry out your missions. That condition is especially significant today. Let me explain. Enactment of Gramm-Rudman-Hollings legislation last fall has created some very crucial, potential challenges in the national defense arena.

If we are forced to make the kinds of Draconian cuts in our defense budget that many are predicting that we will make, I do not see how we can avoid some kind of end-strength reductions in the Active Forces in the long run. At the same time I doubt that there will be any decrease in the threat posed by our potential adversaries.

You know what that means—someone will have to take up the slack. We all recognize that the Reserve and Guard organizations have been assigned a greater and greater role in recent years. You now represent over 50 percent of the combat capability and two-thirds of the support capability for our country's conventional military forces.

I suspect your share will not do anything but increase. The real challenge is going to be to shoulder an increased mission with less than desired resources. In the present climate of deficit reduction, I know we all understand that it can no longer be business as usual.

This will be particularly true in the area of operation and maintenance funding. And, again, I know that we all understand that the Reserve and Guard have many strong supporters in the Congress, including me. However, I feel I must caution you that it is incumbent on all of us to keep the whole spectrum of national goals and priorities in mind.

The particular challenge is going to be how you take on an increasing role in national defense strategy in the most efficient and cost-effective manner possible. We, in Congress, know and understand that we cannot shortchange the Guard and the Reserve. We also know that we will not be able to grant your full request for funding, that is funding of all of your programs.

I hope that you will keep this in mind during your testimony today. We need your assistance to make the best decisions and judgments possible. It is only by making the wisest possible use of our limited defense dollar resources that will allow us to continue to have the superb Guard and Reserve that you currently represent.

I look forward to your testimony. And, I thank you, Mr. Chairman.

Mr. HUTTO. Thank you, Mr. Whitehurst. We are particularly pleased that our colleague, Mr. Montgomery would take time off from his Veterans Affairs Committce to be with us this morning, and since he is the champion of the Guard and the Reserve, I wonder, Sonny, if you have any opening comments you would like to make?

Mr. MONTGOMERY. Thank you, Mr. Chairman. I want to welcome Secretary Webb and the Assistant Secretaries for Reserve Affairs and different branches, and also the uniformed National Guard and Reservist Chiefs. I am vitally interested in the Reserve programs and want to thank you for letting me be here this morning.

I am going to be around, but in case I do not get to ask some questions, I would appreciate it, Mr. Chairman, if you would ask these questions for me so they would get in the record.

Mr. HUTTO. Yes, sir. I would be happy to. Thank you, Mr. Montgomery.

Mr. Webb, you may proceed as you see fit.

STATEMENT OF HON. JAMES H. WEBB, JR., ASSISTANT SECRETARY OF DEFENSE (RESERVE AFFAIRS)

Mr. WEBB. Thank you, Mr. Chairman, members of the committee. It is a pleasure for me to be here. I was on the other side of that bench as a counsel in this hearing room for about 3½ years, serving on the Veterans Committee with Chairman Montgomery, so I am familiar with the room.

I would like to give a brief opening statement, basically to focus in on four areas that I believe are of particular concern with respect to readiness in the Reserve components.

First of all, I believe it is clear, as the chairman said, in the last 4 years with the cooperation and the encouragement of the Congress, we have made unique progress in the readiness of the Guard and the Reserve. We have increased the Guard and the Reserve budgets by 53 percent during this administration; we have increased selected Reserve strength by 31 percent; we have increased exercise participation by 80 percent, including many, many overseas deployments.

We have been forwarding and distributing equipment at a level of about $10 billion a year, when you consider all elements of distribution; so, that is a success record. I can say without qualm, having spent a good bit of time with our NATO allies in bilateral visits, we have the most capable Reserve components in the free world. But we should not rest on that laurel.

We have a much different mission in our reserve components than those of our allies. We have a small active component already. When we look at the total force concept in the early 1970's, it was assumed that our Active Force would stay around the size of 2½ to 3 million people—we are down to 2.16 million now, and as the chairman and Congressman Whitehurst indicated, there are people who believe that number will go lower.

This puts an enormous responsibility on the Reserve components that had never been there before the total force concept arose. It compresses the mobilization timetables, so that, instead of talking about a range of months, and in some cases, historically, years, before a Reserve component unit would be deployed to combat, we are now talking in days. With that in mind, I would like to mention four areas that my office has been focusing on in collaboration with a number of other people.

In the area of equipment, I should say that the aggregate numbers are good, and they are getting better; 2 years ago, in the equipment report that we submit to the Congress every year, the Army numbers for Guard and Reserve were about 57 percent of wartime fill. Because of the equipment that has been appropriated during this administration, this year we are at 71 percent of wartime fill in the Army Guard and Reserve; we are at 85 percent overall in DOD, and as a comparison, the Active Army is at 70 percent.

We believe that reserve component equipment is getting a lot of attention. As I said, we have been putting about $10 billion a year in new and quality flowthrough equipment items. Fiscal 1986 to 1989 will see more than $29 billion in new and distributed equipment flowing into the Guard and Reserve. During this time, about $9 billion of obsolete equipment will be withdrawn. This will provide a net gain of $20 billion worth of high quality equipment.

The challenge in this area is under the policy which has been articulated for a number of years now, that those units that are the first to fight, first to deploy, should be the first to be equipped. We need to work on targeting this equipment into the areas of the early deployers. It is a big problem, particularly in a combat service support area in the Army. It is something that we are working on.

We have reached the point, I believe, where we can do a lot of refining rather than large order procurement.

In pretrained manpower, we see a unique problem associated with the volunteer system. I know Chairman Montgomery has articulated this since the days I was on the Veterans Committee, and that is with the Individual Ready Reserve. We had an anomalous fallout of the volunteer system, and that is as the enlistments became longer and the reenlistments and retention became greater, we had a smaller number of people entering our pretrained manpower pool.

In 1970, we had about 2.4 million people in the Standby and individual Ready Reserve. Today, we have about 500,000 people; a good percentage of these are not people who would have been held under earlier standards.

This number would have to last us 120 days, if we deployed to war, because of the time that it would take to begin induction and get people through the system and out into the manpower flow. The point is that there is no room for poor management of this resource.

Our office has initiated several improvements in this regard. Fiscal year 1987 will see a concept of mandatory reporting for every member of the individual Ready Reserve. We are pleased with the administrative results of the voluntary muster that was mandated by the Congress last year. It demonstrates the workability of this concept and also validates the cost elements. There were some people who thought this might be much more costly a proposal than it was.

The figures for the Army voluntary muster were almost exactly on target as to what we thought they would be.

We have a problem in the age of many members of the Reserve components. We have increased our Reserve structure with, in many cases, increasing the retention among the career force. There is a much higher percentage now of people who are over 40 than there was a few years ago, and a significantly higher percentage than in the Active Force.

In many areas this works to the advantage of the Reserve Forces, but, particularly, with respect to ground combat troops, I believe it has a potential to affect readiness unfavorably. We are watching the over-40 screening program of the Army very closely.

With respect to pilots, we are reaching a point where almost 40 percent of our Guard and reserve pilots are over the age of 40. This is a huge hump from Vietnam. Planning needs to be done. The Army has begun planning to replace people in the manpower flow before we have a pilot shortage in the Guard and Reserve.

Finally, we have a serious problem in combat-service-support functions. About 91 percent of the mission in the Army for combat service support is in the Guard and the Reserve. It places an enormous demand on immediate mobilization. We see this particularly in the area of medical readiness: 70 percent of the combat medical care in the Army will come from the Army Reserve components. The people who are in the units are training well, but we are, quite frankly, not in good shape in either personnel or equipment in those areas. Having been wounded a couple of times, this occupies my mind quite a bit.

We are aggressively managing it in concert with the Assistant Secretary of Health Affairs, and I hope that we will be able to report to you good results.

With that, I will take your questions, Mr. Chairman.

Mr. HUTTO. Thank you very much, Mr. Webb. And, without objection, your prepared statement will be entered into the record.

PREPARED STATEMENT OF HON. JAMES H. WEBB, JR.

Mr. Chairman and members of the subcommittee:

It is a pleasure for me to appear before this committee and present an overview of the National Guard and Reserve since, I believe our reserve components represent the finest Reserve forces in the world. These forces perform peacetime missions every day in support of the Active force and are true partners in the defense of the United States.

While I am most pleased with the progress that has been made since 1980, in manning, equipping, and training the reserve components, there is still more to be done to further develop and sustain their peacetime and war fighting capability. My overview of the reserve components will address the progress we have achieved, plans for the future, and some of the remaining problems.

Army National Guard and Army Reserve

By the end of 1987, 51% of Army's combat forces and 52% of its support forces will be in the Army National Guard and Reserve. Currently, two round out brigades (the 27th Infantry Brigade of the New York Army National Guard and the 205th Separate Infantry Brigade) are being added to newly activated Active Army divisions. A tenth Army National Guard division, the 29th Infantry Division (Light), is being added to the structure. The Army reserve components now provide 50 percent of the Special Operations Forces, and ninety percent of the psychological operations and civil affairs units are in the reserve components.

During FY 1987, approximately $2.1 billion in new equipment is planned for issue to the Army reserve components, including the M60A3 tank, AH-1S and UH-60 helicopters, and Bradley Fighting Vehicle.

Modification of the AH-1G helicopters to the AH-1S will provide the Army reserve components with a modern attack helicopter. Helicopter attack capability will also be improved with the fielding of an AH-64 Apache helicopter battalion in the Army National Guard during FY 1987/1988.

The missile armament posture of the Army National Guard will be significantly enhanced with the delivery of the TOW-2 missile system beginning in FY 1986.

All eight Army National Guard Duster battalions will be modernized before the ROLAND Air Defense Missile system is phased out of the Army. Delivery of the first CHAPARRAL battalion's fire units will be completed in 1986, and the second battalion's fire units will be delivered early in FY 1987.

Increased Army National Guard and Reserve participation in field exercises has improved unit and individual capability. The number of Army Guard and Reserve units participating in training with overseas deployed forces increased from 117 in 1980 to 1,932 units/cells involving 26,228 personnel in 1985. During FY 1986, 1,869 units/cells involving 26,960 personnel, will train with overseas deployed forces. For the first time, a brigade size unit (the 32d Separate Infantry Brigade, Wisconsin Army National Guard) moving with all of its equipment and more than 5,000 personnel participated in the Reforger Exercise in Germany. Reserve component participation at the Army's National Training Center continues to be stressed as one of the most productive training scenarios available. The National Training Center provides these units with the most rigorous combined arms training experience possible short of actual war. To further enhance Guard and Reserve field training, the Army reserve components will make greater use of the Multiple Integrated Laser Engagement System (MILES) equipment, a tactical engagement simulation system.

While Army Guard and Reserve maintenance personnel training on state-of-the-art equipment still remains a major problem, steps are being taken to provide hands-on training and instruction on modern equipment at Regional Maintenance Training Sites (RMTS). Pilot RMTS's are scheduled to begin operation in FY 1986 at Camp Shelby, Mississippi, and Fort Bragg, North

Carolina, with a total of twenty-one budgeted to become operational by FY 1990. Other important training facilities for the reserve components include Regional Training Site-Medical, which provides Army National Guard medical units with complete sets of deployable medical system hospital equipment for training, and a Regional Training Center planned for Fort Dix, New Jersey, which will be a test-bed facility for developing skills through use of training devices and simulation techniques.

Naval Reserve

Modernization of the Naval Reserve Surface Force continues with the acceptance of four more FFG-7 Perry class frigates during FY 1986. With three additional FFG-7s and one FF-1052 to be transferred during FY 1987, the Naval Reserve Surface Force will have a total of seven FF-1052 Knox class and twelve FFG-7 Perry class frigates. The SH-2F helicopter is now operated by three Naval Reserve squadrons and is employed on board the Reserve frigates to round out their ASW capability.

In addition, the Naval Reserve will receive all 14 of the new construction MCM-1, Mine Countermeasure Ships, and all 17 of the new MSH-1, Minesweeper Hunter Ships. The first MCM is scheduled to be transferred to the Naval Reserve in FY 1988. By the early 1990's more than 50 ships of the emerging 600 ship Navy will be in the Naval Reserve. Three Salvage ships will enter the Naval Reserve Force in FY 1986. Two new Mobile Inshore Undersea Warfare Units will be organized in FY 1987 as this element of the Naval Reserve will increase from 17 units at the end of FY 1985 to 28 units by FY 1990.

Modernization of Naval Reserve aviation continues. The F-14 fighter was added to the Reserve Carrier Air Wings during FY 1985. The Naval Reserve is also transitioning from the A-7B to the more modern A-7E attack aircraft. Naval Reserve pilots have been training in the new F/A-18 aircraft for two years, and actual assignment of aircraft to the first Reserve Strike Fighter squadrons occurred in October last year. The Squadron

Augmentation Unit concept initiated in FY 1984 also has been successful in enhancing the training of Naval Reserve augmentation aircrews in the same A-6, F-14, P-3C, SH-3H, S-3, and E-2C aircraft employed by their gaining squadrons. Two new Airborne Mine Countermeasure Squadrons, flying the RH-53D, will be added to the Naval Reserve, with the first one standing up in FY 1987 and the second in FY 1989.

The TACNAVMOD upgrade for the P-3A and B maritime patrol aircraft will be completed in FY 1986, and upgrading of the AQA-7 acoustic processor on these aircraft will continue. These improvements will provide us with an effective, current reserve component maritime patrol force. However, to maintain our capability to meet modernized Soviet submarine forces, as well as providing active and reserve compatibility, Naval Reserve transitions to the P-3C aircraft must be accomplished. Earmarking six of the P-3C aircraft in the Navy's FY 1986 procurement program for the Naval Reserve was a significant step toward achieving this goal. This is especially important, since the Naval Reserve provides one-third of the Navy's total maritime patrol capability.

During FY 1985 the last C-118 aircraft were retired and the final increment of the used DC-9s were procured to replace the limited airlift capability of the C-118's. Introduction of the two C-20A aircraft approved by Congress in FY 1986 will enhance the airlift capability of the Naval Reserve.

Marine Corps Reserve

Once viewed primarily as a source of pretrained manpower for active unit integration, the Selected Marine Corps Reserve now trains to operate as highly effective combat units. Today, Marine Corps Reserve units are committed to active force commands in contingency planning. In accordance with the "first to fight, first to be equipped" policy, the Marine Corps Reserve is receiving the types of major new ground equipment and weapon systems being introduced into the Marine Corps inventory.

To keep the Marine Corps Reserve adaptable to changing mobilization requirements, numerous structural changes are occurring. These include activation of the final and major portion of the 4th Medical and 4th Dental battalions, a Light Armored Vehicle (LAV) battalion, a Target Acquisition Battery for artillery, an additional extensive Alaskan arctic training environment location, and a Selected Marine Corps Reserve Reconnaissance unit established in FY 1985 in Anchorage, Alaska. The reorganization of infantry and direct support artillery battalions also enhanced the mobilization capability of the Marine Corps Reserve.

Three F-4 squadrons transitioned to the more modern F-4S fighter during FY 1985; eight new KC-130T tanker aircraft have been provided to the Marine Corps Reserve with two more scheduled for delivery in calendar year 1986. Current plans are for the Marine Corps Reserve to transition, after the active force upgrades, to F/A-18, AH-1T, CH-53E, and MV-22A aircraft. The Marine Corps Reserve will begin operations this year of an aggressor squadron equipped with the F-21A (KFIR) aircraft. The squadron will provide training support for both Active and Reserve units by exposing aircrews to adversary air combat tactics.

During FY 1985, Marine reservists trained in exercises throughout the world with their active force counterparts. During FY 1986, exercises will continue to emphasize providing a trained/operational ready Marine Corps Reserve in support of contingency plans and the Total Force Policy.

Air National Guard and Air Force Reserve

The combat capability of the Air Reserve Forces continues to improve. The Air National Guard and the Air Force Reserve provide 34 percent of the Air Force tactical fighter capability. Both are currently acquiring the highly capable F-16 fighter aircraft and upgrading the F-4 fleet, and the Air National Guard is acquiring the F-15. During FY 1986, the Air National Guard will receive the second and third F-16 squadrons. In FY 1987 the Air Force Reserve will receive its second F-16 squadron, and the Air National Guard will receive its second F-15 squadron.

Air Reserve Force units are also acquiring the C-5 and C-141 strategic airlift aircraft, as well as new C-130H tactical airlift aircraft. To enhance airlift capability, two C-141B squadrons are being established during FY 1986. Additional C-5A and C-141 aircraft will be transferred to the Air Reserve Forces as the active force acquires the C-5B and C-17 aircraft. Long-range plans call for the assignment of the C-17 to the Air Reserve Forces early in the next decade.

A comprehensive modification program for existing Air Reserve Force aircraft also is ongoing. Combat capability enhancements include equipping F-4 aircraft with new navigation and weapons delivery systems, Heads-Up Display (HUD), advanced AIM-9L air-to-air missile capabilities, low smoke engines, 10 Mil Bomb Sights, and improved radar warning receivers.

To provide meaningful and realistic training, Air Reserve Force participation in RED FLAG, overseas, and joint exercises has increased by 30 percent since 1980.

Coast Guard Reserve

The Coast Guard Selected Reserve strength increased to 12,600 personnel in FY 1985. Additional growth to achieve 13,000 is requested for FY 1987.

The Coast Guard Reserve is enhancing mobilization readiness through participation with both Active and reserve components of the Army, Navy, and Marine Corps in interservice exercises. Coast Guard Reserve readiness training also included augmentation of the active Coast Guard peacetime missions, having dedicated over 1.6 million Reserve man-hours in FY 1985. Total Force readiness exercises and active component mission integration will continue to play a major role in Coast Guard Reserve mobilization readiness training. Particular emphasis will be placed on training deployable Port Security Units, small boat crews, and forces that mobilize to Coast Guard Cutters.

FY 1987 BUDGET REQUEST

It is essential that sufficient funding be made available to man, equip, and train the National Guard and Reserve forces to ensure they can be integrated into the total military structure as fully functional units or as trained individuals. I ask your support for the Guard and Reserve programs we have presented to you in the FY 1987 Budget, so that we can continue our progress.

The specific estimates related to the National Guard and Reserve in the FY 1987 Budget Request are as follows.

Appropriation Summary

Table 1 depicts the Total Obligational Authority (TOA) by Reserve component.

Table 1
TOA, $ in Millions

	FY 1985 Actual	FY 1986 Estimate	FY 1987 Estimate
ARMY			
Military Personnel:	5,048.0	5,689.1	6,138.0
Reserve Personnel, Army	1,966.7	2,271.4	2,432.0
National Guard Personnel, Army	2,866.4	3,196.3	3,485.2
Active Component	214.9	221.4	220.8
Operation and Maintenance:	2,163.3	2,462.9	2,580.0
O&M Army Reserve	731.4	780.1	793.1
O&M Army National Guard	1,431.9	1,682.8	1,786.9
Military Construction:	167.9	163.5	207.8
Mil. Con. Army Reserve	69.3	61.3	86.7
Mil. Con. Army National Guard	98.6	102.2	121.1
Procurement:	2,238.6	1,888.4	1,586.2
Total Army	9,617.8	10,203.9	10,512.0

NAVY			
Military Personnel:	1,356.9	1,552.3	1,712.6
Reserve Personnel, Navy	1,146.9	1,349.2	1,527.6
Active Component	210.0	203.1	185.0
Operation and Maintenance:	809.6	912.7	975.9
O&M Navy Reserve	809.6	912.7	975.9
Military Construction:	49.8	32.5	24.7
Mil. Con. Navy Reserve	49.8	32.5	24.7
Procurement:	514.1	707.4	258.0
Total Navy	2,730.4	3,204.9	2,971.2

	FY 1985 Actual	FY 1986 Estimate	FY 1987 Estimate
MARINE CORPS			
Military Personnel:	396.1	412.0	447.2
Reserve Personnel, Marine Corps	269.9	287.3	314.8
Active Component	126.2	124.7	132.4
Operation and Maintenance:	58.7	58.2	65.3
O&M Marine Corps Reserve	58.7	58.2	65.3
Military Construction:	11.0	9.3	19.8
Mil. Con. Navy Reserve	11.0	9.3	19.8
Procurement: (included in Navy)	-	-	-
Total Marine Corps	465.8	479.5	532.3
AIR FORCE			
Military Personnel:	1502.9	1,653.7	1,751.6
Reserve Personnel, Air Force	568.3	611.8	646.0
National Guard Pers., Air Force	885.2	994.4	1,058.9
Active Component	49.4	47.5	46.7
Operation and Maintenance:	2,702.4	2,715.9	2,908.3
O&M Air Force Reserve	877.8	902.7	975.6
O&M Air National Guard	1,824.6	1,813.2	1,932.7
Military Construction:	179.0	184.3	198.9
Mil. Con. Air Force Reserve	67.8	63.0	58.9
Mil. Con. Air National Guard	111.2	121.3	140.0
Procurement:	1,869.8	961.4	972.9
Total Air Force	6,254.1	5,515.3	5,831.7
OTHER			
Guard and Reserve Procurement:	380.0	1,501.8	-----
Total Other	380.0	1,501.8	-----

	FY 1985 Actual	FY 1986 Estimate	FY 1987 Estimate
TOTAL DOD			
Military Personnel:	8,294.8	9,307.2	10,049.4
Reserve Personnel	3,951.8	4,519.7	4,920.4
National Guard Personnel	3,751.6	4,190.7	4,544.1
Active Component	591.4	596.8	584.9
Operation and Maintenance:	5,733.8	6,150.6	6,529.6
O&M Reserve	2,477.3	2,654.6	2,810.0
O&M National Guard	3,256.5	3,496.0	3,719.6
Military Construction:	407.7	389.6	451.2
Mil. Con. Reserve	197.9	166.1	190.1
Mil. Con. National Guard	209.8	223.5	261.1
Procurement:	5,002.5	5,059.0	2,817.1
Total DoD	19,438.8	20,906.4	19,847.3

ANALYSIS OF RESERVE COMPONENT GROWTH

The significant increases between FY 1980 and FY 1987 for the reserve components, as shown in the following table, is a positive indicator of the increased reliance on the reserve components as a peacetime partner and an immediately available wartime resource.

RESERVE COMPONENT BUDGET

TOA ($ in Millions)

	FY1980	FY1987	Increase	(%) 87 vs 80
Current Dollars:				
Military Personnel	$ 2,457	$ 7,517	$ 5,060	306%
Retirement Accrual	-	2,533	2,533	100%
Operational Maintenance	3,526	6,530	3,004	185%
Procurement	1,460	2,817	1357	193%
Military Construction	120	451	331	376%
Total (With Retirement Accrual)	$ 7,563	$19,848	$12,285	262%
Total (Excluding Ret. Accrual)	$ 7,563	$17,315	$ 9,752	229%
Constant Dollars:				
Military Personnel	$ 3,877	$ 7,517	$ 3,640	194%
Retirement Accrual	-	2,533	2,533	100%
Operations and Maintenance	4,518	6,530	2,012	145%
Procurement	2,081	2,817	736	135%
Military Construction	159	451	292	284%
Total (With Retirement Accrual)	$10,635	$19,848	$ 9,213	187%
Total (Excluding Ret. Accrual)	$10,635	$17,315	$ 6,680	163%

RESERVE COMPONENT END STRENGTH

MANPOWER (In Thousands)				
Selected Reserve	869	1,186	317	136%
AGR Included	23	76	53	330%

Guard and Reserve Facilities

Our FY 1987 military construction request is $451.2 million--a growth of approximately $62 million over the FY 1986 level.

My staff participates in the planning, programming, and budgeting of military construction. We do not direct the Services on what, where, and when to build. Rather, we carefully review their decisions, and support prudently justified projects which will improve mission accomplishment and permit realistic training.

My staff continuously monitors execution of the Military Construction programs, and has contributed to the FY 1985 execution of these programs being the highest within the Department. We are working on ways to further improve our execution rate, with a goal of 100 percent first year execution.

A major concern in the existing facilities program is the quantity of identified backlogs for both construction and repair. Current service estimates indicate that Reserve component construction backlog exceeds $3 billion. We have implemented procedures to validate and categorize the backlog and will subsequently develop plans for containment and systematic reduction of this backlog.

Procurement (National Guard and Reserve Equipment)

Last year I reported to you that we were making progress in closing the gap between Active and Reserve forces in terms of equipment fill rates and distribution. I am pleased to advise you that such progress has continued, with even greater momentum, throughout the past year.

We recently forwarded the FY 1987 report to Congress on the status of Guard and Reserve Equipment. This report is based on a representative sampling of 1,200 major line items of Guard and Reserve equipment. Within these selected items of equipment, the report shows that equipment valued in excess of $5.8 billion was distributed to the Guard and Reserve components during FY 1985 alone. Offsetting these additions, nearly $1.2 billion of equipment was removed from reserve component inventories, the majority of which represented equipment modernization actions. The resulting net gain to Guard and Reserve inventories was $4.6 billion, plus the intangible value of increased capability realized from the modern equipment.

Based on this representative sample, if the Guard and Reserve were to be mobilized at the beginning of the budget year (FY 1987), they would be able to field approximately 80 percent of their required equipment, in both numbers of items and dollar value. Through the use of available substitute items, this capability could be raised to approximately 86 percent. This compares to about a 90 percent equipment availability for the Active components for the same line items reviewed.

In addition to the equipment redistributed to the reserve components, mentioned above, approximately $5 billion was appropriated in FY 1985 and $5.1 billion in FY 1986 for the procurement of equipment which will be delivered to the Guard and Reserve in future years. The Department's procurement plan is contained in the P-1R report, which reflects the types, quantities, and costs of all equipment items which have been proposed for procurement for the reserve components. The report identifies almost $2.8 billion in FY 1987 procurement dedicated to the National Guard and Reserve:

- The Department of the Army has submitted budget requirements for $1.1 billion for the Army National Guard and $463.0 million for the Army Reserve, totaling nearly $1.6 billion.
- The Department of the Air Force budget proposals include $733.9 million for the Air National Guard and

$239.0 million for the Air Force Reserve, totaling $972.9 million.

- The Department of the Navy has identified $106.2 million for the Naval Reserve and $151.8 million for the Marine Corps Reserve.

Even if we achieve 100% of our equipment distribution plans, serious shortfalls will still exist. As indicated in the Fiscal Year 1987 Guard and Reserve Equipment Report, a shortfall of $10.6 billion will remain after the end of Fiscal Year 1989, just within the 1200 line items included in the report.

Although we have made significant gains during the past year in both equipment availability and the management of this equipment, more remains to be done. First, we must achieve our equipment procurement and distribution programs. Secondly, we must improve our ability to identify, validate, and prioritize equipment requirements so that mission essential requirements are provided first, and maximum return in terms of military capability is achieved for each dollar expended. Lastly, we must develop better plans and methods for improving and expanding the capabilities of our on-hand equipment.

Selected Reserve Personnel Strength

Between FY 1980 and FY 1985 Selected Reserve end strength levels increased by more than 25 percent. For FY 1987, we are projecting a strength increase of more than 51,600. This increase reflects the demands of new and expanded missions assigned to the reserve components and expansion of our full-time support capabilities.

In FY 1987 the growth in Selected Reserve end strength of 12,000 Army National Guardsmen and 17,000 Army Reservists is primarily for continued improvements in force readiness and further modernization of force structure. The increase of more than 13,000 in the Naval Reserve represents increased manning to meet wartime requirements. The Navy FY 1987 budget submission indicates that Selected Reserve strength is programmed to reach the full requirement by the end of FY 1987, with the exception of medical support and construction force activities which will be attained by FY 1989. The Marine Corps Reserve increase of about 1,400 Selected Reservists will meet requirements generated by additional unit activations and increasing ground combat and support capability. The Air National Guard and Air Force Reserve are programmed to increase their end strengths by approximately 4,300 and 3,100 respectively. These increases support force structure growth, modernization of aircraft, enhanced aerial port, aeromedical evacuation, and civil engineering wartime capability.

The Coast Guard Selected Reserve strength increased to 12,600 personnel in FY 1985. With the requested increase to 13,000 Selected Reservists in FY 1987, the Coast Guard Reserve will continue its gradual growth in order to reduce mobilization shortfalls.

Even in view of the training requirements associated with these significant total strength increases, our trained strength in units, as shown in Table 1, will continue to improve.

Table 1

Trained Manning In Units Against Wartime Requirements

	FY 1985 Actual	FY 1986 Estimate	FY 1987 Estimate
Wartime Requirements in Units	1110.0	1131.5	1167.5
Selected Reserve End Strength	1088.1	1134.7	1186.2
Total Trained Personnel in Units	956.0	1009.2	1057.6
Percent Trained in Units	85.9	88.9	90.2

Table 2 depicts the Selected Reserve strength profile by reserve component.

Table 2

Selected Reserve End Strength

(Thousands)

	FY 1980* Actual	FY 1985 Actual	FY 1986 Estimate	FY 1987 Estimate
Army National Guard	366.6	440.0	450.5	462.8
Army Reserve	213.2	292.1	310.7	327.6
Naval Reserve	97.2	129.8	142.2	155.7
Marine Corps Reserve	35.7	41.6	43.0	44.4
Air National Guard	96.3	109.4	110.9	115.2
Air Force Reserve	59.8	75.2	77.4	80.5
DoD Total	868.7	1,088.1	1,134.6	1,186.2

* For consistency, FY 1980 strengths have been adjusted to include Navy Training and Administration of Reserves (TARs) and Category "D" Individual Mobilization Augmentees (IMAs).

Full-Time Support Personnel

Full-time support personnel perform the management, administration, training, equipment maintenance, and similar essential tasks associated with the readiness of the Guard and Reserve. Full-time personnel include Active Guard and Reserve (AGR) members (who are counted as part of the Selected Reserve), military technicians (civilians who are also Selected Reservists who would mobilize with the supported unit), active force members (who provide full-time interface and support but are counted as a part of active force end strength), and Department of Defense civilians (who provide full-time support in a strictly civilian capacity and would not mobilize with the unit).

Full-time support personnel levels must also increase as the Reserve components expand in size.

From FY 1980 through FY 1985, AGR personnel strength grew by approximately 32,000. An additional increase of 9,400 is projected for FY 1986 and 12,000 for FY 1987. We are also requesting growth in the military technician program. Table 3 depicts the current plan for both the AGR and the military technician programs.

Table 3

Full-Time Support (End Strengths)

ACTIVE GUARD AND RESERVE (AGR)

	FY 1985 Actual	FY 1986 Estimate	FY 1987 Estimate
Army National Guard	21,059	23,731	28,721
Army Reserve	10,751	12,157	13,657
Naval Reserve	15,012	19,010	23,197
Marine Corps Reserve	1,134	1,475	1,782
Air National Guard	6,369	7,269	8,356
Air Force Reserve	570	635	676
Total DoD	54,895	64,277	76,389

Table 3

MILITARY TECHNICIANS

	FY 1985 Actual	FY 1986 Estimate	FY 1987 Estimate
Army National Guard*	23,769	25,290	25,799
Army Reserve	7,857	7,623	8,032
Air National Guard*	22,145	22,242	22,532
Air Force Reserve	8,064	9,042	9,178
Total DoD	61,835	64,197	65,541

* Excludes non dual-status support technicians hired under Title 32.

Table 3 (Continued)

ACTIVE COMPONENT

	FY 1985 Actual	FY 1986 Estimate	FY 1987 Estimate
Army National Guard	973	782	784
Army Reserve	1,230	1,230	1,230
Naval Reserve	5,847	5,816	6,650
Marine Corps Reserve	5,180	4,765	4,978
Air National Guard	724	719	710
Air Force Reserve	743	640	609
Total DoD	14,697	13,952	14,961

Table 3

CIVIL SERVICE

	FY 1985 Actual	FY 1986 Estimate	FY 1987 Estimate
Army National Guard	2,124	1,763	1,754
Army Reserve	6,496	5,441	3,734
Naval Reserve	3,081	3,191	3,207
Marine Corps Reserve	221	256	256
Air National Guard	2,474	2,592	2,573
Air Force Reserve	4,772	4,211	4,542
Total DoD	19,168	17,454	16,066

We continue to support a mix of technicians and AGR personnel in the Army and Air Force reserve components based on their respective mission requirements. We will continue to press for a full-time support structure that includes cost, resource availability, deployability, and overall mission effectiveness as prime considerations.

Individual Ready Reserve

A major manpower challenge is the availability, at mobilization, of sufficient numbers of pretrained individuals to fill wartime shortages in active and reserve component units, to replace untrained or partially trained unit members, and to serve as initial casualty replacements. The Individual Ready Reserve (IRR) and military retirees constitute the bulk of this resource. To ensure the availability of these members and enhance their readiness, we must prudently manage this resource.

The Fiscal Year 1986 Authorization Act required the DoD to conduct a muster test of the Army IRR. The Army conducted that voluntary test for a portion of its IRR in January 1986, with more than 6,000 IRR members reporting for a one day muster. From this test, the Army is gathering detailed IRR personnel data; skill proficiency, physical conditioning, and attitudinal information; and other data that will be used to evaluate Army IRR members' availability and fitness for duty. The test also permits an examination of the adequacy of current IRR call-up procedures. The experience gained from this test will contribute to our new involuntary IRR annual reporting program.

Since current law and DoD policy requires the Services to continuously screen all Ready Reservists to ensure they meet wartime standards, in FY 1987, we will implement a new requirement for all IRR personnel to perform at least one day of active duty each year to accomplish mandatory annual reporting. Mandatory annual reporting will permit the evaluation of IRR skill proficiency, refresher training needs, and mobilization availability. It also will reinforce IRR members' cognizance of their legal obligation to notify their respective Service concerning changes in personal status.

While the IRR annual reporting requirement that will commence in FY 1987 is the most important action in our program, we are continuing with previous programs to ensure locatability, increase the numbers of personnel with needed skills, and address refresher training needs.

The Army, Navy and Air Force have applied IRR Reenlistment Bonus Programs designed to reduce specific shortages in combat and other critical wartime skills. Since the last quarter of FY 1984, when the program was first implemented, more than 6,000 servicemembers in combat and combat support skills enlisted in the IRR. Our two-tier reenlistment bonus program, beginning in FY 1986, will include a six-year enlistment option, not to exceed $1,500, in addition to the three-year enlistment.

One of our continuing concerns has been the availability and locatability of IRR members. In 1985, the Defense Manpower Data Center supplemented intensive Service efforts to locate IRR members by conducting file matches with other Federal agencies and with active duty files in an effort to obtain more up-to-date information. These efforts will compliment resource management initiatives and programs stemming from the annual screening requirement.

The readiness of the IRR depends in large measure on maintaining the skill proficiency and ability of members to perform their wartime tasks. The FY 1987-91 Defense Guidance directed the Services to evaluate IRR skill degradation, and to conduct appropriate refresher training programs, beginning in FY 1988.

Table 4 depicts the IRR strength profile by reserve component.

Table 4

IRR STRENGTH

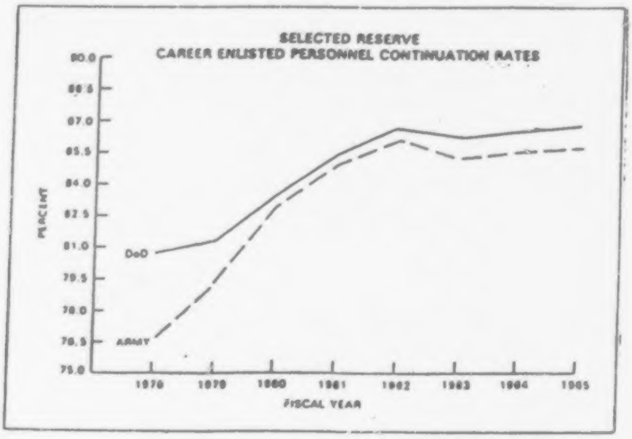
(In Thousands)

Component	FY 1985 Actual	FY 1986 Estimate	FY 1987 Estimate
ARNG (ING)	10,744	9,600	9,700
USAR	301,825	318,900	336,100
USNR	71,462	84,500	93,800
USMCR	47,855	52,000	55,000
USAFR	45,983	39,200	42,500
TOTAL	477,869	504,200	537,100

In order to verify our ability to notify IRR members and military retirees in the event of a mobilization or exercise, a study of the Mobilization Mailgram System was completed. The study revealed a substantial mismatch between DoD requirements and system capacity under peak mobilization conditions. However, a follow-up analysis based on voluntary improvements proposed by the Services and the commercial carrier reflects a significant increase in system capacity.

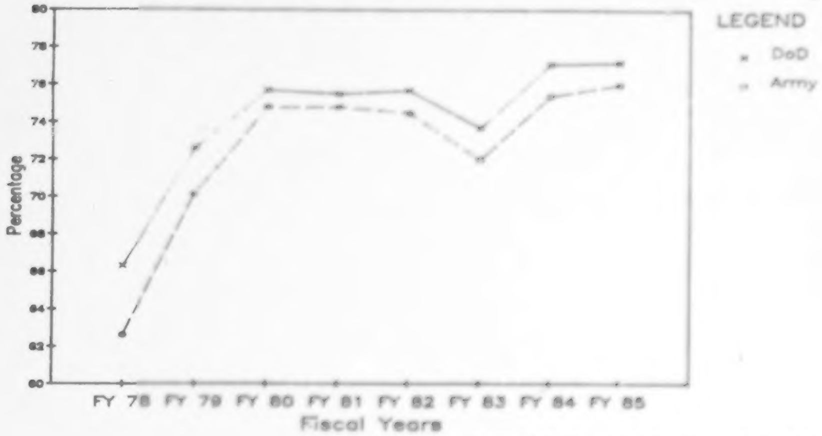
Recruitment and Retention

The ability of the reserve components to meet their strength goals is dependent in large part on their ability to control attrition. While unprogrammed attrition from the Selected Reserve continues at levels higher than we desire, between 1978 and 1985, the number of enlisted accessions (Non Prior Service plus Prior Service) for the reserve components increased by 14 percent. At the same time, end-strength increased by 38 percent. It is clear that much of the sustained growth in the Selected Reserve end-strength must be attributed to reduced attrition.



Among personnel with less than six years of service, improvement in continuation has been less uniform and we remain concerned with losses prior to completion of the initial term of service. The following shows continuation rates for individuals having less than six years of service between 1978 and 1985.

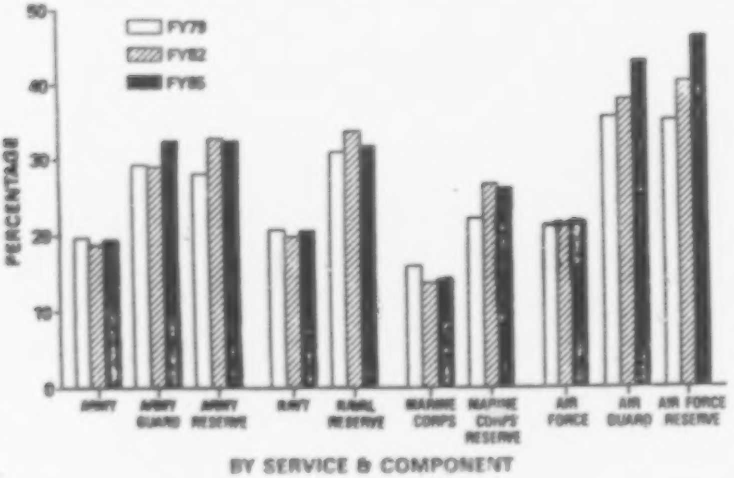
PERCENTAGE CONTINUATION RATES FOR SELECTED RESERVE* (Less than 6 years of service)



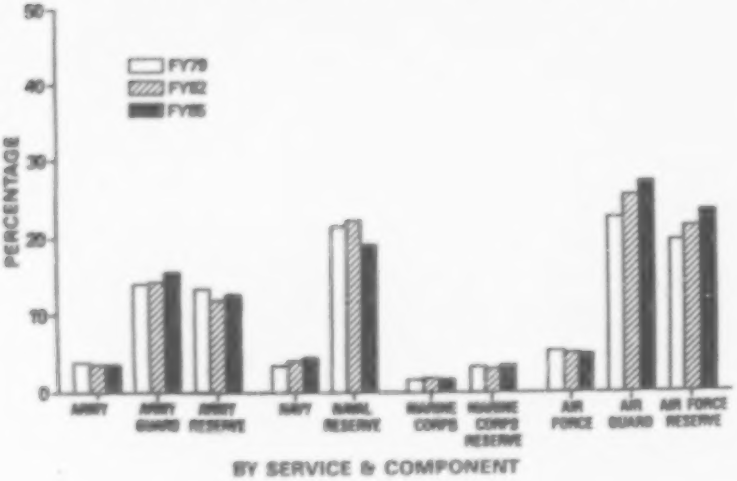
*Years of Service from Pay Entry Base Date

While reduced attrition has assisted us in meeting our end strength goals, it has created the problem of an aging force, as shown in the charts below. We are retaining more older people and aging the younger ones. The active components officer force has approximately 1 out of 5 (20%) officers over the age of 40, while the reserve components have approximately 2 out of 5 officers over the age of 40 (40%). A similar trend can be seen in the enlisted force with the active components having approximately 1 in 25 or 4% over the age of 40 while the reserve components have 4 in 25 or 16% over the age of 40.

OFFICER
PERCENT AGE 40 AND OVER

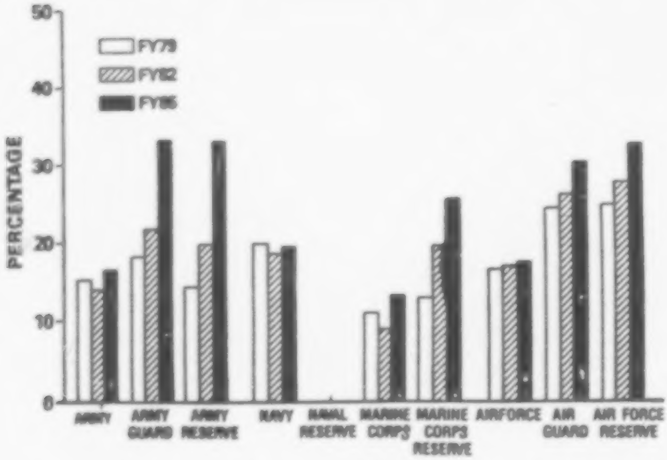


ENLISTED
PERCENT AGE 40 AND OVER



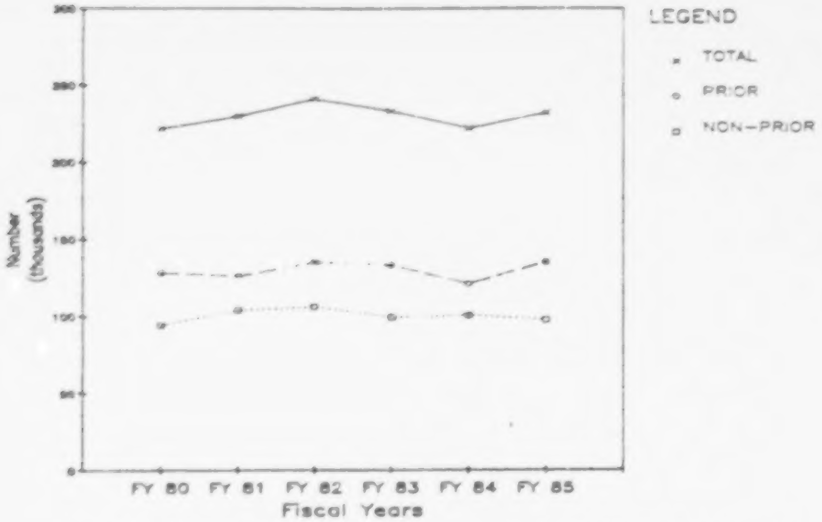
One of the significant problems of the aging force is the trend in the age of our pilots. The following chart shows the aging from FY 1979 to FY 1985 for both the active and reserve components. While the overall trend has seen an increase in the age of pilots in both the active and reserve forces, the trend has been more pronounced in the reserve components. In FY 1979, approximately 17% of the active force pilots were over the age of 40. This has increased to approximately 20% for FY 1985. In the reserve components, the percentage has increased from 31% in FY 1979 to approximately 40% for FY 1985. No specific data is available for the Naval Reserve due to lack of age statistics.

PILOTS
PERCENT AGE 40 AND OVER



We must carefully watch this aging trend to ensure that we maintain a viable force. In addition we must further develop our analysis to examine its impact in combat, combat support, and combat service support areas, and to assess the degradation of readiness that may accompany an increasingly older force. In this regard, this office will continue to monitor very closely the Army's over 40 screening program.

Since 1982, widespread expansion in the civilian economy and a decline in the size of the youth population have worked against recruiting and retention efforts undertaken by the reserve components. In the absence of any offsetting factors, these trends might have been expected to result in a substantial decline in the number and quality of non-prior service accessions. Instead, the number of non-prior service recruits has declined only slightly and we have continued to achieve our increasing total end-strength objectives.



TOTAL DOD ENLISTED ACCESSIONS
Selected Reserve

In addition, the quality of accessions increased over the previous year. Eighty-eight percent of all enlistees were high school graduates compared to 85 percent in FY 1984. Eighty-nine percent scored average or above on the enlistment test (Categories I through III) matching FY 1984 results. Black enlistments accounted for 20 percent of all accessions, and women accounted for 12 percent. These proportions were approximately the same as in FY 1984. The following Table reflects the current profile of quality enlistments in the Selected Reserve.

Table 5

Selected Reserve Enlistments (DOD)
Quality Indicators

Quality Indicators	FY 1980 Number	FY 1980 Percent Of Total Enlistments	FY 1985 Number	FY 1985 Percent Of Total Enlistments
High School Graduates*	168,500	76	204,200	87.9
AFQT I-III**	172,200	78	207,300	89.2

* Includes equivalency certificate and diploma graduates, and best available estimates of those high school students who enlisted prior to their graduation and were expected to graduate.

** AFQT Categories I-III include enlistees who scored average or above on the enlistment test.

Impact of Recruiter Resources

Increases in the number of reserve component recruiters appears to have played a particularly important role. The number of recruiters increased by 15.3 percent between 1978 and 1982 and then rose by 42 percent between 1982 and 1985.

To verify our beliefs concerning the impact reserve component recruiters have had on the numbers of high school graduate non-prior service recruits accessed, the Rand Corporation is analyzing the character of Selected Reserve NPS accessions as well as the significant differences in the dynamics of active and reserve force recruiting of NPS members. This information will form a basis for use in forecasting future NPS accessions for the reserve components. Preliminary results from this analysis should be ready in June of this year.

The advertising program for the reserve components is built around a national advertising plan complemented by local advertising and active public service campaigns. Particularly important is the Joint Reserve recruiting advertising resources available to the reserve components. Approximately $8.0 million requested for this program in FY 1987 builds our advertising buying power to levels that permit an effective reserve component recruiting program, targeted particularly to the faltering non-prior service market.

Last November we transmitted to the House and Senate Committees on Armed Services a comprehensive report on recruiting and retention resources for the reserve components. Our study concluded that increased resources and expanded incentives, such as the reenlistment and affiliation bonus programs, have played a crucial role in enabling the reserve components to meet our increasing manpower requirements. The benefit to the Selected Reserve has been to produce longer and higher quality enlistments and reenlistments. The following Tables provide an overview of the Selected Reserve incentive program and funding levels.

Table 6

Selected Reserve Incentives

Enlistment Bonus	Educational Assistance*	Reenlistment**		Affiliation*** Bonus	Loan Repayment
		3 Yrs	6 Yrs		
Up to $2,000	Up to $4,000 for expenses incurred	$2,500	$5,000	$25/Month	15% or $500 of balance of loan for each year served

* The current Educational Assistance Program was suspended for 3-years coincident with the effective date of the Selected Reserve GI Bill on 1 July 1985.
**FY 86 Authorization Act increased the 3 year bonus amount from $900 to $2500 and the 6 year bonus amount from $1800 to $5000.
***FY 86 Authorization Act increased the bonus from $25 per month to up to $50 per month.

Table 7

Ready Reserve Incentive Program

(Thousands)

	FY 1985 Actual	FY 1986 Estimate*	FY 1987 Estimate*
Army National Guard	55,562	67,512	68,029
Army Reserve	23,152	31,955	34,087
Naval Reserve	5,561	11,413	11,257
Marine Corps Reserve	3,323	4,214	3,080
Air National Guard	7,372	8,353	8,937
Air Force Reserve	2,530	5,157	6,565
DoD	97,500	128,604	131,955

*Revised 86 Column, FY 1987 President's Budget

Last year, the Congress provided us with authority to continue our incentive programs through September 30, 1987. Also, a new prior service enlistment bonus was approved. Student loan repayment authorities were extended to health professional officers in the Selected Reserve who possess critical combat medical skills, and authority to offer a stipend to students in critical medical disciplines who affiliate with the Selected Reserve was approved.

The provisions contained in Public Law 99-145 for expansion of enlistment and reenlistment bonus ceilings, the new prior service bonus to attract veterans with critical skills, and the extension of loan repayment to officer personnel in the health professions will assist in meeting the growing Selected Reserve manpower requirements.

Program Initiatives

We are considering legislative proposals to pay a Selective Reenlistment Bonus (SRB) to Training and Administration of Reserves (TAR) and Active Guard/Reserve (AGR) members in designated high technology skills in high priority units. A special incentive pay for enlisted members of particularly hard-to-man units is also a part of our legislative program. The Navy plans to use this authority as an incentive for seagoing Naval Reservists.

Legislative Proposals

There are several important legislative proposals for your consideration:

Reserve Jurisdiction - Uniform Code of Military Justice

The 1984 Court of Military Appeals decision in the case of U.S. vs. Caputo, was the catalyst for this proposal and lends urgency to its early enactment. Caputo holds that any change in the duty status of a reservist (i.e., the end of a period of inactive duty training or completion of active duty for training) constitutes a break in service, and that personal and subject matter jurisdiction cannot be revived upon the reservist's subsequent return to an inactive or active duty status. This would require that all offenses under the Uniform Code of Military Justice (UCMJ) be processed during the inactive duty period or tour of active duty in which they were committed, or that an individual be held after such a period in order to prevent his or her "status" from being interrupted. We believe it is essential that the reserve components be subject to the same disciplinary standards as the active forces when they are in a duty status.

The proposed Reserve Jurisdiction Act provides that UCMJ jurisdiction at the time of commission of an offense may not be defeated by virtue of the termination of a period of active duty or inactive-duty training. It also eliminates the obsolete requirement that jurisdiction over offenses committed by reservists on inactive-duty training be conditioned on the voluntary acceptance of orders stipulating to such jurisdiction.

Reserve Officer Personnel Management Act

The second proposal deals with our system for managing reserve officer personnel. A comprehensive law providing the basis for the appointment and career management of reserve officers was first enacted in 1954. Only piecemeal adjustments to that legislation have been made during the ensuing 30 years. We have worked to produce a comprehensive Reserve Officer Personnel Management Act (ROPMA), designed to provide compatible personnel systems for all officers, whether on the active duty list, the reserve active duty list or the reserve active status list.

In December, we forwarded the ROPMA proposal to the Congress. I believe this important legislation deserves your early consideration. It will revise and update the laws which govern the appointment, promotion, separation and transfer to the Retired Reserve of reserve commissioned officers of the Army, Navy, Marine Corps and Air Force. It will also provide a system for long-range planning essential to providing reserve officers with attractive and meaningful careers, and to attract and retain officers of the proper age and grade, who possess the skills and experience the reserve components need.

Health and Disability Coverage

Finally, I continue to be concerned about the adequacy of current statutes regarding health and disability coverage for Guard and Reserve members. While important improvements have been made in recent years, benefits and entitlements for reservists vary by the type of orders, duty status and the period of time the member is ordered to active duty.

This issue has received some attention by all the Services in light of increased reliance on the reserve components in the Total Force and the participation of reservists in hostile fire operations in Grenada and Lebanon. Benefits and entitlements are specific by public law. Recent actions of the Congress have made progress in this area and we are considering the desirability of further legislative changes, as well as a common standard to be used by the Services in interpreting and administering regulations, to assure equal protection for all personnel.

A related concern is the protection of reservists who may be missing, detained, or held captive by a hostile force or in a foreign country. We are reviewing a legislative proposal to provide authority to call to, or continue on, active duty members who may be involved in such incidents while on training duty or enroute to or from such duty.

Family and Employer Support

We have continued our effort to assist the reserve components in communicating the vital role of the National Guard and Reserve to audiences including the active force, reserve component members and their families, employers, public opinion leaders and the general public.

Among the most important audiences are the families of National Guard and Reserve members. Family attitudes exert a major influence on the retention of military personnel. The 1986 Reserve Components Survey is now going to the field. In addition to important data relevant to compensation, entitlements, training and readiness, the resultant information will assist us in developing programs to improve family support and understanding, and as a result, improve retention. It will also give us needed planning data to ensure we can provide necessary support for Guard and Reserve families upon mobilization.

We have implemented the pre-enrollment of members of the Selected Reserve and their dependents into the Defense Enrollment Eligibility Reporting System, commonly known as DEERS. Phase I, which should be completed by the end of March 1986, involves 200,000 members of high priority units plus their dependents.

The pre-enrollment will ensure that family members of mobilized reservists have the proper medical benefits available to them, the same as active force dependents once mobilization begins.

Our National Committee for Employer Support of the Guard and Reserve has an established network of state-level committees and nationwide programs to gain and maintain public and employer awareness and support. Non-paid, volunteer membership on these committees now numbers over 3,000 and includes influential business, labor, and civic leaders.

The Committee directs a nationwide public service advertising program sponsored by the Advertising Council. This year, some 900 television and more than 5,000 radio stations will broadcast Public Service Announcements. Printed materials were furnished to more than 9,000 daily and weekly publications. Our 1986 advertising strategy will continue to focus on the contemporary roles and missions of the reserve components.

The 1985 Association Liaison/Exhibits Program provided employer support exhibits at 14 national and international professional and business association conferences. Special recognition presentations were made to chief executive and public relations officers of 22 major associations. The Direct Mail Information Program provided employer support information packets to many thousands of employers in selected states. Certificates of appreciation were presented to 13,500 employers nominated by their reserve component employees for their support of participation in the National Guard and Reserve. One hundred and sixty state Chairman's awards and 31 PRO PATRIA awards were presented to employers whose supportive efforts were exceptionally meritorious.

Existing evidence indicates that approximately one-third of the losses incurred by the National Guard and Reserves are the result of conflicts between reserve component military duty and the full-time civilian employment of Guardsmen and Reservists. The resultant reserve component losses increase costs and reduce readiness.

The National Committee's Ombudsman Program effectively resolved hundreds of employee/employer problems. There is close coordination with, and excellent support from, the U.S. Department of Labor. The employment protection programs administered by the Labor Department not only provide equity in accordance with statute and case law, but also show an enforcement presence that assists DoD in its recruitment efforts. We have assigned a reserve legal officer as liaison to the Department of Labor and assisted Labor in preparing supplemental guidelines on employment protection for reservists.

Improving the Readiness of the Reserve Components

One thing that became readily apparent to me after I took office is the need to determine and resolve conditions that cause or limit the readiness posture of the National Guard and Reserve. We are building a data base as a foundation for making such determinations by collecting information on the mobilization missions of National Guard and Reserve units, deployment requirements, and the time sensitive nature of these missions. In addition, we have developed an automated capability to examine and analyze the data in the Unit Status and Identity Report System. This data base enables us to identify areas causing degraded readiness and target resources to correct shortages and improve the capability of our units.

On the training aspect of readiness, we recognize that the reserve component training environment is quite different from that of the Active force.

A key to effective training in a part time and widely dispersed environment is the careful application of modern training devices and simulators that can be developed or tailored to provide realistic training for the reserve components. My goal in the application of training technology is to bring about an understanding of unique reserve component training needs within the government, the military, and the industrial training simulation development communities to ensure that the needs of the Guard and Reserve are fully met. To achieve this end, I have been successful, through membership on the Department of Defense Steering committee on Training and Training Technology, in establishing a subcommittee on Guard and Reserve Training. The function of the subcommittee will be to highlight and fully support research, development, and procurement of training technologies that will provide effective, state-of-the-art training for each of our reserve components in their respective training environments.

We also are presently undertaking our own study to develop a methodology to analyze and determine the reserve components' current and future requirements for training devices.

Early indications are that "arcade game" technologies have the potential to provide a "family" of low cost and versatile individual skill training devices for our armories and centers. In addition, I believe that unit-size simulators and devices must be developed and distributed to regional sites in order that effective maneuver training can be accomplished at acceptable cost.

Reserve Component Medical Readiness

The ability to respond quickly to a wartime casualty flow is one of the most serious concerns within the Department of Defense, and it has been the subject of much effort by the Assistant Secretary of Defense for Health Affairs and my office. Therefore, the final issue I would like to discuss today concerns medical readiness.

Medical readiness has been, and continues to be, one of my top priorities since reserve component resources comprise more than 50 percent of the Services' total medical capability in wartime. Many reserve component medical units have early deployment dates and must be available in-theater to treat the casualties expected in the initial phases of combat operations. In addition, reserve component medical units and individuals not currently assigned to units would either deploy overseas or, in some cases, fill jobs vacated by deploying active force personnel.

My major concern is the mobilization potential and readiness status of reserve component medical units. Consequently, we have been working closely with Dr. Mayer and his staff to establish definitive wartime requirements for medical personnel, equipment, and evacuation needs under several different war scenarios. My office took the lead in a recent effort by the Department of Defense to reexamine present casualty estimate procedures, which impact directly on medical resource planning. The results of our work will be integrated with results of the congressionally directed blue ribbon medical resources study. We will then know more precisely how many guardsmen and reservists, by skill, must be available for wartime needs and should be presently assigned to medical units, and how many we can draw from the Individual Ready Reserve, Standby Reserve and Retired Reserve.

In addition to addressing estimates of total required medical resources, we are analyzing the reserve components' medical professionals. In support of this analytical effort, we have developed a computer data base to compare current wartime medical personnel requirements, peacetime manpower authorizations, and actual manning levels for reserve component medical units. This data base identifies specialties, specialty matches, attributes of skill levels, and shortages and overages. Initial results for the Army were available in December 1985, and we expect results for the other Services to be available later this year.

Although progress has been made to improve wartime medical readiness, much work is still needed to provide adequate medical support during a conflict requiring full mobilization. We will continue to work hard toward fulfulling our objectives in this key area.

Conclusion

In summary, today's National Guard and Reserve continue to assume an increasingly important role in our defense strategy. While some problems remain, I am confident that as we continue to improve the effectiveness of the National Guard and Reserve, we will be improving the total capability of this Nation's defense posture. That is, and must remain, our first and foremost aim.

Mr. Chairman this completes my testimony. I thank you once again for the opportunity you have given me to appear before this Committee today. I am prepared to answer questions.

Secretary Webb, I have heard several reports that some State Governors are unwilling to permit Reserve units to deploy to Central America for training exercises. Is this true, and if so, what authority do the Governors have to restrict such deployments? Also, what is being done to address this situation?

Mr. **Webb**. It is true, Mr. Chairman. We have had three incidents where Governors have indicated that they will not send their troops. One of them was made in a vacuum; in other words, there were no troops going anyway, but Governor Dukakis of Massachusetts wanted to reinforce the fact that he was not going to allow his people to go.

We have had statements made by other Governors, basically rhetorical statements, involved with our Central American policy.

There is currently a statutory authority. However, I am not convinced that is a constitutional authority, governing the training of Guard units. Under section 672 (b) and (d) of title 10, the Governor as a peacetime commander of the State force, has to consent to the ordering of Guard units and personnel to active duty to participate in training exercises of this type. So, it is the law of the land at this time. We believe that it is unfortunate and rhetorical rather than having to do at all with any of the missions that are being performed. We send our Reserve components around the world. In this last Reforger exercise to Europe, 40 percent of the Army units that went were Guard and Reserve units.

Mr. **Hutto**. Then this is nothing new. It has been——

Mr. **Webb**. It is not anything new. We have not had anyone question the safety of the National Guard unit that is on the East German border; the people who are down in Central America are not in areas where we would, in any way, anticipate that they would be fired on. We believe that it is a rhetorical and not a practical problem. But we are looking at ultimate ways to fix it, perhaps statutorily, certainly by talking to the Governors, as General Walker did 2 days ago, and convincing them of the operational need, under the total force concept, to exercise our forces.

Mr. **Hutto**. Other than Massachusetts, who are the other two Governors, and what States?

Mr. **Webb**. A year ago the Governor of California did not allow a unit to go into Honduras, and the unit was replaced by a unit from Texas. He has since allowed other California units to deploy. The Governor of Maine earlier this year did not allow a small unit to go down to Central America. He said that if they were going to build roads, they could build them in Maine. Then Governor Dukakis, as I said, made the decision in a vacuum. Governor Babbitt also made a very strong statement; then allowed his people to go.

We hope that through persuasion, at this point, that we can resolve this problem.

Mr. **Hutto**. OK. But, if you cannot persuade them, there is a Federal statute that allows the Federal Government to let them go to wherever?

Mr. **Webb**. Well, there is a question that is before our general counsel right now as to the constitutional limitations contained in the militia clause, which says, in effect, that the Governor is the peacetime commander. The question is, when does Federal status obtain? We have, for instance, in another section of title 10, a creation of Federal status for the purpose of awarding National Guardsmen benefits, and so the logic is, if you can statutorily create Federal status in the Congress, then you can, perhaps, put a phrase in and just say, for purposes of overseas missions, this is an automatic vesting. There is a great deal of debate as to whether you can do that right now, but it is something we are looking at.

Mr. HUTTO. One more question. As I mentioned in my statement, the Guard and the Reserves will suffer O&M funding reductions of $242 million as a result of Gramm-Rudman-Hollings sequestration that will take effect Saturday, the day after tomorrow. What kind of guidance is DOD providing on how to absorb that reduction, and what impact do you think it will have on the Guard and Reserve readiness?

Mr. WEBB. The specific guidance that we use at the OSD level is to ensure that the Guard and Reserve accounts do not take any greater percentage of the burden in a cut than the other accounts do, and this is something that I personally have been attempting to watch.

As to exactly where in the O&M accounts these reductions take place, this is something that we allow the services to manage themselves. I am sure each of the component commanders can give you an analysis of his Service, but there is no way that we are going to be able to absorb cuts without affecting flying hours, steaming hours, some civilian personnel strengths, and incurring potential maintenance backlogs. I know the Air Guard has such a special problem because of the way they define their fulltime support personnel that we are working to have their technician program exempted from cuts.

There is no way that you can have a funding reduction without affecting the operational tempo.

Mr. HUTTO. Thank you. Mr. Whitehurst.

Mr. WHITEHURST. Thank you, Mr. Chairman. Mr. Secretary, you have had a very distinguished career—your combat service is especially admirable, almost peerless. Now, you occupy a very important position in the Department of Defense. I am, and I know you are, too, gravely concerned about the shrinking-manpower pool in America.

I have listened to your statement this morning, and I am going to pose a question, it is a tough question. I have thought about it and I reached no conclusions on it, and I have raised it with other witnesses on other occasions—raised it yesterday, as a matter of fact, in of all places the Military Installations and Facilities Subcommittee Hearing—what are we really going to do to find an adequate number of personnel? Now, we can recruit perhaps more women to fill roles, but the combat roles are almost without exception, functions for a man to fill. When I look down the road to the end of this century, which is just a short ways off, and look at the available manpower pool that we recruit from, and ask the question, how are we going to do it?

Not even with additional financial incentives, do I believe that we will be able to get the number of people we need to keep the levels, minimum levels, of readiness and man the ships, fly the aircraft, and serve in Europe in our combat army units. Surely, you have given some thought to this. What do you think the answer is?

Mr. WEBB. I believe there are two ways—there are only two—ways you can go about doing it. I would say the people are there if they can be reached, and they will be. For instance, in 1991, when we go into the valley, we still have more people than we had in 1963 when we filled an active force of approximately 3 million people. Of course, we had conscription in 1963.

There are two schools of thought. There is, for lack of a better word, what the Europeans call the Anglo theory, a volunteer system which worked very well in some scenarios when Britain was the great colonial power. They had small armies of highly trained people and not a lot of attrition when they went into combat. And you have the continental theory, which is, you conscript your forces, you develop a large pretrained manpower base, and you have a continual flow of people who, basically, approach military service as a tax.

We have been using the Anglo-side of things, since 1973. We have, at present, a very highly qualified active and reserve component force, but small numbers. This troubles me even today, I must say, personally. The only way that it is going to continue to work is with a lot of incentive programs. We are watching that. As a matter of fact, we have been able, with computerization, to take cohort groups from 1977 forward, and you can demonstrate that the incentive programs do keep people in.

I am sensitive to your comment that, as the manpower pool shrinks, there may not be enough people who are willing to do what these people are doing, which is basically to take on two careers at the same time.

Mr. WHITEHURST. What about a combination draft and Reserve program, and offering a number of options of service?

Mr. WEBB. I believe that is workable, theoretically workable. It is not something that I can say that the administration has any comment on.

Mr. WHITEHURST. There are political burdens that go with it, but the Congress did pass the Registration Act, and that is a modest step forward. Are there any plans in the Department of Defense with respect to developing a solution for the problem in the next decade?

Mr. WEBB. The perception that I have, and speaking in my area also, is that the incentive programs have worked and are keeping the people in. If the problem got larger, or if it were the judgment of others that conscription should occur, then that would be implemented.

Mr. WHITEHURST. Don't pull your punches. You know, feel free to speak frankly with me. Maybe, this is something that should be discussed over a glass of wine or a beer, rather than in a public forum.

But, I think it needs to be discussed. We need to keep it up on the table. I am leaving Congress at the end of this year, so it is not going to be on my watch, but I cannot help but leave here with this thing nagging at me and it has nagged at me for some time. And, it is the reason for developing this dialog with you this morning. I would hate to see the Department of Defense let this thing just slide along, and we do this in a lot of things, not just DOD, but in almost every program in America.

I call it the 5 minutes to 12 syndrome. We wait until the problem is right up on us, and it is endemic in American society. My students all wrote their term papers the night before they were due, and I got to Congress and found out we pass laws dealing with problems the same way.

So I would hope that someone has—I am not saying, a master plan, although that is not a bad idea. There certainly should be some contingencies being mapped out now to address this problem in the next decade. And, just throwing money at it, which is the normal solution around here, I do not think is finally going to do the trick.

I think if that pool has shrunk up enough, then we have got to go to some kind of conscription, but I think there ought to be some options in there that gives a person a choice of so many up-front years of active service versus a few years up front, and more time in the Reserve.

The Navy has a problem. There are real fears being voiced, not by Navy witnesses now, but by people who have been in the Navy and perhaps who are a little more free to speak, not on Active service any more, about this problem. And, I am not sure you can handle that with a draft, given the unique nature of a Navy assignment. But, I do think for the other services that it is possible, and I think that we ought to be thinking about it.

I really respect your judgment, and the position that you occupy, and for that reason wanted your good comments on it.

Just a couple of other questions.

Mr. **Webb**. Well, if I may, sir?

Mr. **Whitehurst**. Please respond then.

Mr. **Webb**. A short response. I am in something of an anomalous position in this administration in that I have written extensively with respect to the draft before I came here, and on a personal level I have strong feelings that conscription is the only way we are going to solve our pretrained manpower problem.

Mr. **Whitehurst**. Thank you for saying it.

Mr. **Webb**. The problem in the United States, of course, is that conscription was labeled as coercive by so many people here, and also in the media.

Mr. **Whitehurst**. That is not entirely inaccurate. I was drafted in World War II, and I kind of felt coerced a little bit myself. [Laughter.]

Mr. **Webb**. There is one thing that interested me when I visited Switzerland, and you also see some of this in a slightly different way in Israel, which modeled its system after the Swiss. We could never adopt the Swiss system, but conceptually there are actually two things that are interesting: one, is that they do a sliding scale as far as capability to serve. We take about a third of our people out in a draft environment and disqualify them. Joe Namath was making $400,000 a year, and he was disqualified because he had a bad knee. People with bad knees can type.

The second thing they do in Switzerland is rather fascinating. The people who do not serve pay 3 percent of their gross income as a tax until they reach age 50, I believe it is 50, when their cohorts finish their national service. Now, what that does is it takes jail away. You can turn around to an individual and you can say, if you do not want to serve, that is fine, pay a percentage of your income. Your cohorts are paying a percentage of their life. And, if there were a way that it could be approached in that manner in the United States, then you would, in effect, finesse the most difficult argument.

Mr. **Whitehurst**. Well, I suspect you and I are preaching to the choir.

Mr. **Webb**. I am preaching to the record, and I will probably hear about it. [Laughter.]

Mr. **Whitehurst**. Well, you can just tell them that I elicited those comments from you; actually arm-wrestled them to get them out of you.

But, I think it is a super idea. I really do. I did not know about the Swiss, I knew about the Swiss system of national service, but I did not know of the other aspects that you just described, and I think it is an excellent way to approach it.

We, to some degree, of course, have done this by passage of legislation in denying educational benefits to students who will not register. Now, that is a very, very weak comparison. And, we had a hard enough time getting it through around here, given some of the feelings and fears of some of our colleagues, who are perhaps less motivated, as you and I are, on this subject.

I have some other questions for the record that we will provide. I have taken enough time. I really want you to know how much I appreciate this dialog with you.

Thank you very much.

Mr. **Darden**. Mr. Montgomery.

Mr. **Montgomery**. Thank you, Mr. Chairman. Bill, talking about the draft, Mrs. Holt and I have introduced a bill, H.R. 1500, that gives the President authority to call up 200,000 young men by the lottery system, for them to train for 6 months, learn a skill, then they go in the I.R.R., and they have to have 15 days active duty every year. That bill really has not gone anywhere, and there really have not been any hearings, no interest in it, but I think it does have some merit to it.

Jim, thank you for being here today. I have a few comments and questions I would like to make. In your summary of the four areas, let me touch base on the Individual Ready Reserve. I think we have been misleading the Congress and the people by saying that we have had these Individual Ready Reserves, that we could call on them for casualty replacements, and fill up these units. I appreciate your moving ahead with that muster, and I think that is very good. If we could find out who is in there, in the Individual Ready Reserves, who could do the job, and who is not too fat, that is what we want to find out.

If you will tell us what you need in the Individual Ready Reserve, I think we can get it through the Congress. We put some things in that were suggested by you last time, and with no comment it went right through. We shifted around some bonuses, and also gave you authority on the muster. So—I would say I would hope you would move ahead on that, because the Individual Ready Reserves has been just sitting out there. As far as I am concerned, it has been a disaster.

Mr. **Webb**. And potentially it still is, sir. My view is that even if we were able to get all of the Individual Ready Reserve, you would get almost no one in a full mobilization as an augmentee. They would all be used to fill out the existing units and to accommodate MOS mismatches in other units. We do not have enough people to go as casualty fill-ups, sir.

Mr. **Montgomery**. Thank you. And, then, pertaining to the medical professionals in the Reserves, I guess as well as Active Duty Forces, we have been told that, by General Berkman, General Walker, and others, that that is one of their biggest problems, is medical-qualified Reservists. Some of the initiatives that we drew up last year—they are in force now to improve the medical professionals in the Reserve, such as forgiveness clause, scholarships—do you have any more suggestions how we can attract more medical professionals in the Reservists. I think that would be no problem either. So, we really kind of need to hear from you what you think you need.

Mr. **Webb**. Yes, sir. Well, we are exploring one concept right now of an age waiver; I am going to personally meet with the Executive Director of the American Nurse Association, where we have a huge void that we need to fill.

I met this Monday with hospital commanders from 11 early deploying units, plus commanders of nonhospital medical units, all of whom, as I say, will deploy early, to get their perceptions. And, they are quite chilling. There is a lot we have to do. Part of it, as I mentioned in my opening remarks, is the question of targeting equipment, but we have equal problems in personnel. Any ideas that you might have, we would be very happy to work on also.

Mr. **Montgomery**. I think we can get them through the Congress, we will put them in the authorization bill, and they will not be expensive items. I think we are kidding ourselves if we cannot, on the battlefield, take care of combat casualties. As I understand it, the Army Reserve has 60 to 70 percent of the medical care now for the Active Forces in the Army Reserves.

Mr. **Webb**. It is 70 percent on the Army side, Guard, and Reserve, Mr. Montgomery.

Mr. **Montgomery**. Let me touch on something that Earl Hutto mentioned about the problems with Governors, of training, releasing National Guardsmen to go to—Honduras and Panama.

General Walker took me down there several weeks ago, and that is some of the best training I have ever seen for Reservists and National Guardsmen. It would just be a shame if we had to slow down and not give those young men and women the opportunity to go to these countries and train. As far as I am concerned, it is just as safe down there. These young men and women are great ambassadors for our country, plus most of them, I know, from Mississippi, would never have the opportunity to ever get out of the country, and it is a good experience for them. [Laughter.]

I did not say, "out of Mississippi," I said, "out of the country."

I have two questions, and then I am going to submit the rest on the record. I have some real interest in the GI bill, and I would hope that the uniformed chiefs and even the assistant chiefs if they would testify, would tell us how the bill is doing, for the record.

And, Jim, let me ask you two questions, and then I will submit the rest for the record, for you to answer.

In fiscal 1986, under the Defense Authorization Act, we authorized an increase in reenlistment bonuses and in the affiliation bonus. We also approved a new prior service reenlistment bonus. Now, what is the status of these bonuses and have they been implemented? So, we will have that for the record, could you please answer?

Mr. WEBB. Well, they have been implemented and they——

Mr. MONTGOMERY. They have what?

Mr. WEBB. They have been implemented. The law, with extension, is in effect until the end of 1987, and the bonuses will be able to be pursued in the Department of Defense.

Mr. MONTGOMERY. And, they are in effect now?

Mr. WEBB. Unless there is something from one of the component chiefs that would indicate that in any of the components, they are not implementing the program, we are marching——

Mr. MONTGOMERY. Well, if you want to further iterate on that question—in the 1986 Defense authorization, we authorized a loan repayment program for the reserve component medical officers and special skills. Has this program been implemented?

Mr. WEBB. Yes, it has; and it will expire in 1988.

Mr. MONTGOMERY. Will you ask that these programs be continued.

Mr. WEBB. As I mentioned earlier, we have been able to develop cohort tracking that gives clear indication that, under the present system, the incentive programs and the bonus programs increase retention and reduce attrition. There is a marked effect when you take a look at the attrition of the cohorts before we had these programs, and after we had them. And, as a result, if we continue under this present system, and it looks like we are, then this is a demonstrable way to attract and keep people.

Mr. MONTGOMERY. Well, as Mr. Whitehurst stated, if we do not do something, I think we are going to run into some real problems in the manpower area, and your shop is one of the few areas that we are increasing the end strength, such as the Army National Guard. I have been told that if you do not have these incentives, no way can they take over these responsibilities and make their end strength.

In your personal opinion, Mr. Secretary, do you feel the fiscal 1987 budget request provides a reserve component with an appropriate share of procurement and O&M money?

Mr. WEBB. Yes, I do.

Mr. MONTGOMERY. Your personal opinion, now.

Mr. WEBB. Yes, I do, in my personal opinion. It was something that in an era of finite resources was debated fully inside the Department of Defense. We have, as I mentioned here when I started, made progress in the equipment areas, which were the major drawbacks 4 or 5 years ago. We have incentive programs in place, we have got good compensation in place. There are a couple of areas that worry me because of the Gramm-Rudman reductions for 1986, in reduction of tempo and flying hours, but I am comfortable with where we are in the budget this year.

Mr. Montgomery. But, do you know what percentages those are, compared to the Active Forces? Say, procurement for the Reserve Forces?

Mr. Webb. Procurement as a percentage this year is down from last year, to about 3 percent this year, but I would say that that——

Mr. Montgomery. That is 3 percent of the total procurement for the forces?

Mr. Webb. Yes sir, but that is $2.8 billion. When it was 5.9 percent in 1978, it was $1.8 billion. I mean, the numbers are good. We are distributing 29 billion dollars' worth of equipment in the next 4 years. We have been putting in almost $10 billion a year.

Mr. Montgomery. What about installation and facilities? Do you have a percentage on that?

Mr. Webb. I do not have a percentage on it; I can supply it for the record.

[The following information was received for the record:]

The reserve component share of the fiscal year 1987 Military Construction budget request, excluding family housing, is 6.7 percent.

Mr. Montgomery. OK.

Mr. Webb. I have——

Mr. Montgomery. I am a little concerned, though, Jim. If what you are telling us is that we are getting 3 percent of procurement for the Reserve Forces, out of $320 billion, and you have 50 percent of the combat missions in the Army National Guard and in the Army Reserve. I am a little worried about that. Do you think you are doing all right?

Well, we will have to take a look at it.

Mr. Webb. My belief is that there is always room to use more. But the numbers that I gave, and I can give them across the board, and equipment requirements on hand, if you look at what we are going to do in 1987, you will see that the Army Reserve components just 2 years ago were about 57 percent of wartime fill, where the active components that year were in the 1970's. This year, because of the way equipment moves around and because of the distribution, the Army Reserve components are above 70 percent of the wartime fill, and the active side is at about 73 percent.

So, I do not believe there has been a lack of attention in the equipment and procurement area in the Reserve components. Also, one area where we get a lot of good equipment is through the equipment distribution. This does not show up on your procurement line, as a percentage.

The problem that I see, quite frankly, and it bothers me very much when we start talking about medical readiness, is that I do not believe, particularly in the Army side, that there is adequate management of targeting this equipment into the early deploying units, particularly combat service support medical units.

I was really disturbed with what I heard from the hospital commanders last Monday. That is a different question. It is not a big money question, but it is a management question, and it needs to be fixed soon, not in the 1990's.

Mr. Montgomery. Well, you have the responsibility, and as you know, the Congress wants to move more emphasis into the Reserve programs. Certainly you will get cooperation from us, especially the House Armed Services Committee.

Mr. **Webb**. Yes, sir.

Mr. **Montgomery**. And, I have some more questions. I will submit them for the record. And, thank you Mr. Chairman for letting me take this time.

Mr. **Darden**. Thank you. Thank you, Mr. Montgomery. I think you are inviting the Secretary to make some adjustments here, that in this area I think certainly it appears that we would need a larger percentage if we were going to have that increase——

Mr. **Montgomery**. Mr. Chairman, we really have come a long way in the Reserves. The Air Guard was winning, some of the Air guardsmen are going to fall off their chairs back there, a number of these contests with the Active Forces. Now, the Air Reserves has been to the top of flying units, and the Army—the other units, the Marines. So, we have really got two good forces out there in the last 10 years, in my opinion. The Reserve and National Guard are there to do the job now; they are ready.

Mr. **Darden**. Well, this has been, I think, the greatest revelation that I have had since I have come to Congress and come on the committees, is the increasing role and the competence of the Reserve and Guard units. And, I think it is well that you continue to point that out as we address these issues.

Are there any more questions for Secretary Webb?

[No response.]

Secretary Webb, we want to thank you for being here.

Mr. **Webb**. Thank you, Mr. Chairman.

Mr. **Darden**. I want to say, incidentally, I read your first novel, "Fields of Fire," and I had to associate the author with the novel. And, thank you for being here.

Mr. **Webb**. Thank you.

Mr. **Darden**. Our next witnesses are a trio of very familiar faces that hardly need any introduction to this subcommittee. We are pleased to welcome back, Lt. Gen. Emmett H. Walker, Jr., Chief of the National Guard Bureau, Maj. Gen. Herbert R. Temple, Jr., Director, Army National Guard, and Maj. Gen. William R. Berkman, Chief of the Army Reserve.

If I recall correctly, gentlemen, this is the third year that this team has appeared before our subcommittee, and we welcome you back. Apparently, you are doing something right, or maybe wrong, but, in any event, we have been looking forward to your presentation, and I would request that you proceed as you desire this morning.

General **Walker**. Sir, may I lead off?

Mr. **Darden**. Certainly.

STATEMENT OF LT. GEN. EMMETT H. WALKER, JR., CHIEF, NATIONAL GUARD BUREAU, DEPARTMENT OF THE ARMY AND THE AIR FORCE

General **Walker**. Mr. Chairman, members of the subcommittee, I appreciate that introduction and the opportunity to testify again and, along with General Temple, to have the opportunity to tell you about the Army Guard. As chief of the National Guard Bureau

I represent the Army and Air National Guard, and I am sorry my Air Guard Director is not sitting beside me this morning, because we are a team.

I have submitted a written statement, and I ask that it be made a part of the record.

Mr. **Darden**. Without objection.

General **Walker**. And that I might be allowed to make an oral statement.

Mr. **Darden**. Very well. Without objection, your statement is part of the record.

General **Walker**. This year, sir, represents the 350th anniversary of the National Guard. It had humble beginnings in 1636 in the Massachusetts Bay Colony. Every man, 16 through 60, had to be a member of the militia then, called the National Guard today, had his own gun, had to drill once a week, and had to stand duty according to a roster. A similar concept exists today, citizen-soldiers, protecting homes, communities and this Nation.

From a group of untrained colonists in the 1600's, our force today consists of 440,000 Army National Guardsmen and 110,000 Air National Guardsmen. We are being supplied with modern equipment and the resources needed to become a truly professional force that will fight and win if needed.

We still do not know the ultimate impact of Gramm-Rudman. But, we know one thing, that we should never ask American men and women to sacrifice if this Nation is not willing to support them with the resources they need in case they are called on. To do this, in my judgment, would be unthinkable.

There is a factor in the success equation that we must look at: buying the best equipment. It is not just for success on the battlefield. We must have modern equipment so that our young men and women can train in the high-technology environment that we live in today. We must train people, and we must train them well to ensure that we are able to fulfill our role in the defense of this Nation. We must give them the tools.

We, in the Guard, are lucky. We have high quality young men and women today; I say, the best we have ever had. They are intelligent, and they want to be in the Guard. The incentives, like the GI bill, are a must with us. Now, I am going to give my report to Congressman Montgomery.

For the Army National Guard, we have almost 13,000 personnel eligible for the new GI bill and in the Air National Guard, about 6,000. This is as of the last of January. The GI bill assures us that we are going to have young men and women that have the intelligence to handle high-technology equipment in our military forces. We have to have that kind of young men and young women, and I think this program assures that.

The fallout from it for us is that we send a citizen out to work in this Nation much better prepared than he was before he received benefits under a GI bill, so this is something that would be, in my judgment, a real blow—a body blow—to the Guard if we lost the GI bill.

Mr. Chairman, this Nation decided in the early 1970's to move to an All-Volunteer military, and reduce the size of the standing military. The role of the Guard in the defense equation has increased dramatically since that decision was made. It has become an equal partner in all of the benefits and the problems.

America's investment in the Guard has grown, and the country rightfully can expect many things from our National Guard. We share a portion of the burden of defense and each and every day Guard members are on duty around the world. If we are going to be a full partner in defense, we must have realistic training opportunities.

Training in Central America is a case in point that you asked about. Various groups have taken issue with our involvement in that region. And, I want to start off first by saying, these groups are small in numbers, as compared to over a half a million National Guard men and women. They volunteer to go down there. Everyone of them that has ever been there is in a volunteer status.

Our work there is directly involved with the responsibilities that I have just mentioned, that is the training of people. It is their right to expect and our obligation to give them the best training we can possibly find. Right now, Central America happens to be that place; it is not available to us any other place. We have been training people in Central America since 1972.

And, without an incident.

The National Guard in Mr. Hutto's State of Florida, has had one of the longest training associations in Central America of any State, since the Florida Infantry Brigade has a direct training relationship with the active Army Brigade in Panama.

The truth about Central America and the National Guard is that we are there to do our mission and that is, to train. We have been accused of training the democratic resistance. That is absolutely false. We have not previously, and we are not now, involved in the training of those people. We are performing training that is required for which you have funded us.

We have exercised every precaution to make sure that our people are safe. If I had a map with me, I could show you where these people are training—nowhere near the Nicaraguan border. Yes, we previously have had some near, but not now. But, they are just as safe there as they are in any foreign country in this world.

Two weeks ago, Congressman Montgomery and I, as mentioned earlier, were in Central America; we saw these people, we saw what they were doing. Let's forget training a minute and look at the positive side effects, the production of goodwill ambassadors for both countries involved. One young man in a Maryland unit, for example, found out that there were six schools along the route of this engineer project. He went to the Hasbro Toy Co. and they gave him enough dolls to give each one of those school children a doll, something that they had never seen before, and certainly never had the opportunity to play with.

Then we must look at all the help that our doctors have provided, help and treatment, to the people there. One of the stories I have to tell is that one of our doctors delivered a baby. Then the next day—this was in Panama—the next day the Panamanian came in and paid the doctor for delivering the baby. He brought him a chicken. If you can ever get a better combination of training and goodwill, I do not know where. Most of these countries are new democracies. They have just been given their freedom from the military.

The National Guardsman is a citizen soldier. How can we do anything better than to send our National Guardsmen to work with those people?

Well, Mr. Chairman, I say we are fulfilling our obligation down there. We are fulfilling our obligation to this Nation. We are carrying our share of our partnership in the defense and I resent the untruths that have been told.

We have had an outstanding year. We appreciate the support of this committee. We still have shortages, we still have shortcomings, but we have made real progress.

Sir, I am ready for your questions.

PREPARED STATEMENT OF LT. GEN. EMMETT H. WALKER, JR.

INTRODUCTION

The Army and Air National Guard today contribute a major portion of the U.S. conventional defense capability. Never before in its 350 year history has the Guard been so well trained, equipped and manned. The major improvements in these key readiness areas are directly attributable to increased Congressional support, OSD oversight of the Total Force Policy and Army and Air Force modernization initiatives. The increased resourcing we have received is the cause and result of the continuous growth in Guard missions and responsibilities.

The focus of our efforts during the past year, and looking into the future, is to recruit and retain a high quality, professional force, to use training time to the best possible advantage and to make the most of every defense dollar we spend to equip and train the Guard. We continue to work to ensure that no Army or Air Guard member on any future battlefield would have cause to say "Had only I been better trained, equipped or led...." This is the challenge we have accepted and the charge we work to uphold.

Army and Air Guard units have deployed worldwide in the past year and trained side-by-side with their active component counterparts. These deployments have included JCS exercises, support to active component missions and units and real-time, real-world missions. In virtually every case, the Guardmembers have met or exceeded the mission requirements and have returned home with a tangible sense of accomplishment and contribution.

Our Army and Air Guard members are some of America's finest citizens. They continue to prove that with proper leadership, resourcing and family and employer support, they can and will perform any mission assigned. They are truly citizens, soldiers, patriots.

STATE MISSION

The National Guard is the only dual missioned force among the services. Our primary mission, like that of the other components, is to be able, if called, to mobilize, deploy, fight and win. Our second mission, the state mission, is what makes us unique. The state mission requires the Guard to be able to answer the call of the respective Governors in responding to emergencies throughout the states and territories, assisting in the preservation and protection of life, property and public order. The National Guard responded to a multitude of emergencies throughout the states and territories during FY 85. Forty-eight governors called upon the Guard for 614 separate call-ups in response to such diverse natural conditions as severe cold, snow, floods, tornados and forest fires. Manmade problems required Guard assistance in meeting the threats of chemical spills, emergency power supply, housing of the homeless and search and rescue. FY 85 also saw an increase in Guard involvement in efforts by law enforcement agencies to stem the tide of drugs and controlled substances which pose a very real and extremely insidious threat to our nation. National Guard response to these emergencies involved more than 20,731 Guardmembers using approximately 124,561 workdays at a cost to the respective states of approximately $8 million. The volume and diversity of these requests represent, in my opinion, a note of confidence in the ability, professionalism and dedication of the men and women of the National Guard by both civic officials and the community at large.

FEDERAL MISSION

ARMY GUARD ORGANIZATION

Forty five percent of the combat units and 20 percent of the support forces within the Total Army are provided by the Army National Guard. Major unit contributions to the Total Army force structure include ten divisions, fourteen separate brigades, four armored cavalry regiments, an infantry scout group, two special forces groups, four roundout brigades and seven roundout battalions. Roundout units provide the force structure essential to an Active Component division to fill it to full combat strength. In the event of full mobilization, 18 of 28 Army divisions would be furnished wholly or in part by the ARNG.

Significant force structure actions in FY 85 and FY 86 continue to revolve around the organization of our two new divisions, the 35th Infantry Division (Mechanized), headquartered at Ft Leavenworth, KS, and the 29th Infantry Division (Light) headquartered at Ft. Belvoir, VA. Both organizations will continue the formation process as units are added and converted to meet divisional needs.

During FY 85, we also completed the organization of the Army's only Mountain Battalion (VTARNG) and its only operational all weather, short range air defense unit, the NMARNG Roland Battalion.

Several major actions were started in FY 85 and will continue in the future. These include conversion of three heavy divisions to Division 86 organizations and significant aviation force modernization across almost all organizational levels. Additionally, several of our separate brigades will assume new or modified roundout/roundup tasks to meet total Army needs.

AIR GUARD ORGANIZATION

The Air National Guard (ANG) has more than 1700 aircraft and almost 110,000 people in uniform throughout the world. The members of our 91 flying units and 244 mission support units constitute a capable and ready force performing not only the traditional "weekend" training duty but shouldering an increasing amount of the day-to-day business of the Air Force. The ANG, now involved daily in worldwide Air Force missions to include aerial refueling, air defense and tactical and strategic airlift, is considered an equal partner with the active Air Force in the total Air Force.

ANG FORCE STRUCTURE

While the ANG organizational structure remains stable in FY 86 and FY 87 at 24 wings, 67 groups 91 flying units, a substantial number of force structure changes will take place. Significant quality and effectiveness changes will be the rule as we utilize three methods to modernize and enhance the capabilities of the ANG. In FY 86, we are seeing our first F-15 units in Louisiana and Georgia, our first C-141 unit in Mississippi, and our 2nd and 3rd F-16 units in Texas and Vermont. In FY 87, we continue modernization with conversions to F-15s in Hawaii and F-16s in Florida and Massachusetts. We will also convert our Little Rock unit from KC-135s to C-130s.

Additionally, 6 units in FY 86 and 5 units in FY 87 will have series changes where they will receive newer models of the aircraft now assigned to the units.

A third category of change will increase the numbers of aircraft assigned to a unit by a process called "robusting". From FY 86 to FY 87, the Tucson, AZ F-16 Training Unit will robust from 0 to 18 aircraft and the Boise, ID RF-4C Training Unit will robust from 6 to 12 aircraft. The St. Louis, MO unit will expand from 18 to 24 F-4Es in FY 86. FY 87 has an ambitious schedule as 7 other units will robust their aircraft fleets. Units being robusted in FY 87 are New Orleans, LA; Charlotte, NC; Martinsburg and Charleston, WV; Jackson, MS; and Stewart Airport, NY. The ANG will also activate an additional flying squadron at Eielson AFB, AK. These efforts are testimony to the increasing importance of the ANG which will in FY87 contribute 73% of the total Air Force air defense interceptor forces, 52% of tactical reconnaissance, 34% of tactical airlift, 25% of tactical fighters, 17% of aerial refueling, 13% of rescue and recovery forces, 14% of special operations forces, 24% of tactical air support forces and 4% of strategic airlift forces.

Of equal importance is the contribution of our mission support units. Our 244 independent units are heavily concentrated in the areas of base fixed communications, combat communications, weather, tactical control engineering installation, civil engineering and medical. Two hundred and ninety-eight mission support units are located with our flying units with primarily medical, civil engineering, security, and aerial port responsibilities. In FY 86, the ANG will possess 65% of the Air Force combat communication forces, 55% of engineering and installation forces, 55% of tactical weapons control, 10% of the weather reporting and forecasting forces, 72% of the aircraft control and warning forces, 12% of the aerial port capability and 30% of the civil engineering forces.

MANNING THE ARMY GUARD

The Army Guard is at an all time record strength level for peacetime. FY 85 opened with a record paid end strength of over 434,000 and closed just short of 440,000. That represents 100.4% of our projected strength, 99.8% of the force structure allowance and 94.2% of wartime required strength. Commissioned/warrant officer strength was at 96.8% of projections at 42,340 while enlisted strength was 100.8% at 397,612. The net gain of 5,693 end strength over FY 84 was the result of aggressive and successful recruiting and retention efforts. The challenge of a FY 86 end strength of 450,496 demands increased commitment on our part at every level of leadership to the dual responsibilities of recruiting and, perhaps more importantly, retention. We simply cannot afford, from a financial or effectiveness viewpoint, to lose trained individuals at the end of their commitment. Our efforts will concentrate on convincing every leader at every level of the critical importance of the retention effort. Areas of special emphasis will include increased chain of command involvement and revitalization of sponsorship programs.

Officer end strength was the highest level achieved in the history of the ARNG but chronic shortages of special branch officers (medical doctors, nurses and chaplains) remain.

Innovative programs are helping us achieve our officer recruitment goals. These include our Simultaneous Membership Program (SMP) which allows concurrent ARNG and ROTC membership and the ROTC Reserve Forces Duty Scholarships. State officer Candidate Schools continue to be the most reliable source of ARNG career officers with 28% or 1,147 of our second lieutenants entering the system through that means.

Enlisted personnel gains totalled 82,952 representing 95.4% of the FY 85 objective. Non prior service enlistments totalled 39,410 while prior service members numbered 43,542.

The quality of our enlisted force remains high. While the Congressional ceiling of 20% Test Score Category (TSC) IV remained, ARNG non prior service accessions in that category were 10.8%

Additionally, 75.7% of accessions were high school diploma graduates exceeding our own goal of 72%. These figures do not include General Educational Development (GED) enlistments who are considered to be non high school graduates.

Minority strength at the end of the fiscal year numbered 112,097 or 25.5% of total paid strength. Black strength posted gains for FY 85 with blacks now representing 4.8% of total officer strength and 18.5% of total enlisted for a 17.2% share of the total paid strength. Female strength increased slightly and now comprises 22,795 or 5.2% of total paid strength. Sixty-six percent of all positions in the ARNG are closed to females by the Direct Combat Probability Code policy but there is still room for growth in our female strength as evidence by the fact that of the positions open to females in the grades of E4 and below only 43% are filled by enlisted women.

The complexity of the modern battlefield requires educated soldiers and leaders. A program providing educational assistance for Army Guard soldiers is the Army Continuing Education System (ACES). ACES was extended to the Army Guard during FY 86 as part of a Total Army program providing educational opportunities such as basic skills, high school completion, and part time college programs not covered under the New GI Bill. Individuals receiving benefits under the New GI Bill are not authorized to receive ACES benefits, and conversely, those receiving ACES benefits cannot at the same time receive benefits under the New GI Bill. Commissioned officers utilizing ACES tuition assistance incur a four year Selected Reserve obligation following the last class taken.

We are also demanding more of our officers. A sliding requirement scale of college level credits is now mandatory for appointment, advancement and retention.

Another program which has proven itself in terms of enhancing the experience and quality of the Army National Guard officer corps is the Captains to Europe, Panama, and Korea Program. This program, now in its fifth year, continues to provide ARNG officers with active duty experience in an overseas theater. Following either a one or three year tour of duty, the officer returns to the Army Guard with valuable experience. During FY 85, 80 officers participated in the program. A total of 19 new officers entered the program and 26 returned to their Army Guard assignments. Department of the Army has recently revised the criteria for participation in this program which will allow first lieutenants to apply. This change should increase participation in the program and enable the Army National Guard to utilize the 160 positions allocated for this program.

ARMY GUARD FULL TIME SUPPORT

The continuing emphasis on transforming the ARNG into a fully trained and equipped, modern, deployable force has necessitated growth in our full-time support personnel force. At the end of FY 85, we were at 63% of FY 85 required full-time strength. In FY 86, we will be authorized 68% of FY 86 requirements and in FY 87 we seek increases to attain the 76% level. These increases will allow us to successfully meet the training and support levels dictated by our continually escalating role in Army and Defense plans.

MANNING THE AIR GUARD

The end of FY 85 saw the highest end strength by the ANG in its history - 109,398. For FY 86, the programmed end strength is 110,859 with a funded average of 109,100. FY 87 programmed end strength is 115,200 and a funded average of 113,100.

Although we have exceeded our programmed end strength, vacancies still exist in critical skills such as aircraft maintenance, medical, armaments, civil engineering and security police. Of the 10% overall growth in the ANG by FY 1991, 45% will take place in these hard to fill fields. This emphasizes the importance of not only a precision recruiting approach but also retention efforts. A full-time retention force continues to pay dividends as losses, as a percent of overall strength, fell again for the seventh straight year.

The ANG is highly dependent on personnel who are competent and reliable. Our 60 percent prior service/40 percent non prior service mix has served us well over the past 6 years by retaining maturity and experience in the force while reducing basic military training and initial technical skills training costs.

At the end of FY 85, females accounted for 11.2% of the ANG force and accession of females was at a 16.5% share of total accessions.

AIR GUARD FULL TIME SUPPORT

In FY 85, the Air Guard exceeded its combined military technician and full-time military (AGR) end strengths. In FY 1986, we expect to fully meet our full-time end strength programs which are 1,021 higher than FY 85 actuals. In FY 87, our full-time personnel growth is made up of 290 technicians and 1,087 AGR's for a total of 1,377. This growth supports force structure, equipment and mission changes.

Future manpower growth will contain a mix of technicians and AGR personnel. This mix wil be determined based on themissions to be performed. The majority of our maintenance and support personnel are currently technicians and this type growth will be programmed as technicians in the future. Security, field training sites, ranges, detached alerts, aircraft operations, recruiting, retention and similar type programs which are military in nature will be programmed as AGR. We anticipate that our full-time force will contain approximately 75 percent technicians and 25 percent AGR.

EQUIPPING AND SUSTAINING THE ARMY GUARD

Modern, high technology, production line new equipment is being provided to the ARNG by the Congress, DOD and the Department of the Army. But at the end of FY 85 the ARNG has only 64% of the equipment it needs to go to war. We feel ethically compelled to not ask American soldiers to fight without giving them all the resources they need to survive and win.

We are in the best peacetime equipment shape we've ever been in, but critical shortages remain. Our highest priority shortages are in air defense artillery, communications, electronics, aviation, field artillery and medical equipment.

A 1984 proposal to accelerate modernization of the ARNG armor force has resulted in a target of mid FY 91 for the total equipping of the ARNG with M1 and M60A3 tanks. An aggressive New Equipment Training (NET) Program was initiated to qualify these crews in the quickest, most efficient manner possible and has been highly successful to date.

Accelerated fielding of field artillery systems is continuing. The automation of our fire direction capabilities is continuing but modernization of our artillery weapons systems remains a challenge with severe shortages in the M198 howitzer and an absence of planning for fielding the MLRS (Multiple Launch Rocket System) to the nine ARNG non-light divisions while it goes to Active Army divisions.

In FY 85, DA distributed equipment worth $1.4 billion to the ARNG. This included the M1 tank, Bradley Fighting Vehicles, Improved TOW Vehicle, M198 Howitzer, and Roland Air Defense system. DA projects equipment deliveries to the ARNG of $1.4 billion in FY 86 and $1.7 billion in FY 87. In addition to follow-on deliveries of the above equipment, new materiel scheduled for delivery in the FY 86-87 timeframe include M60A3 tanks, High Mobility Multipurpose Wheeled Vehicle (HMMWV), FISTV, Heavy Expanded Mobility Tactical Truck (HEMMT) and Chaparral.

DA procured $1.4 billion of equipment for the ARNG in FY 85 and projects procurement of $1.1 billion in FY 86 and $825 million in FY 87. Delivery timeframe for this equipment will be FY 86-90.

Congress has provided a separate appropriation since FY 82 to support procurement of miscellaneous equipment. The $350 million appropriated from FY 82 through FY 85 has been used to improve near term readiness in early deploying units. In FY 86, Congress provided a separate appropriation of $531.8 million for equipment procurement which will be used for combat and support equipment.

ARMY GUARD AVIATION EQUIPMENT

In FY 86, the ARNG has a requirement for 484 attack aircraft. At the end of FY 85, we had on hand 122 AH-1's and 214 UH-1M's. In FY 86, an additional 60 AH-1's will be fielded in the ARNG. Attack helicopter requirements increase to 580 in FY 87 due to ARNG aviation force structure changes. A total of 109 AH-1S's are projected for fielding in FY 87.

The first battalion of AH-64 Apache helicopters will be fielded in the North Carolina ARNG in FY 87 as a result of a Congressionally directed procurement in FY 85.

Fielding of UH-60 Blackhawk helicopters was initiated in FY 83 with the delivery of 2 aircraft each to aviation maintenance units in Ohio and Kentucky. In FY 86, 22 UH-60's will be added to our inventory. Fifteen UH-60's are projected for fielding to units in Virginia and Kentucky in FY 87. At the end of FY 87, we will have a total of 41 UH-60's on hand against a total requirement for 91.

Our medium lift helicopter capability has been enhanced by the addition of 11 CH-47C aircraft procured from the Italian Agusta Aircraft Company as the result of FY 85 Congressional action. these aircraft have been converted to United States standards and incorporate state-of-the-art technology which will improve mission capability.

Twelve C-12 administrative support fixed wing aircraft, procured for the Army Guard by Congress in FY 85 and FY 86, will be delivered beginning in FY 86. The addition of these aircraft will increase our total C-12 inventory to 24 by the end of FY 87.

AIR DEFENSE EQUIPMENT

The Army National Guard is currently organized with seven battalions of Korean War vintage M42 (Duster) Air Defense Artillery (ADA) and one Chaparral battalion supporting eight Army Guard divisions. Additionally, we have one U.S. Roland battalion, a corps level unit that is the only unit of its type in the Total Force. The present force modernization plan replaces our Duster units during the period FY 86-91. Three of our Duster battalions will convert to Chaparral organizations. The ARNG will then have a total of four Chaparral battalions. The remaining Duster units will be reorganized as modern ADA equipment becomes available. Our ADA force will increase in the future with the activation of six divisional battalions, two units for the newest Army Guard divisions and four units to provide replacement for the Chaparral units which will become corps level battalions. By the mid 1990s, the Army Guard ADA force will consist of ten divisional ADA battalions, six Chaparral battalions, and three Hawk battalions. Existing requirements for activation and equipping of ADA units for our Armored Cavalry Regiments and separate brigades will remain for the foreseeable future. Modernization of our air defense capability continues to be our highest priority.

ARMY GUARD COMMUNICATIONS-ELECTRONIC EQUIPMENT

In May 1985, Texas' 49th Armored Division's signal battalion was the first Army National Guard divisional signal battalion to receive the modern multichannel Army Tactical Area Communication Systems (ATACS). ATACS systems were procured with funds made available by Congress for communications equipment in the late 1970s. After receiving this equipment, the signal battalion supported the entire division with reliable, effective, and secure communications during annual training 85. Two more Army Guard divisional signal battalions will receive ATACS in FY 86 with our remaining signal battalions programmed to receive ATACS by the end of FY 87.

Battlefield Communications Review places Army Guard divisional signal battalions and corps Mobile Subscriber Equipment (MSE) battalions in a position to be fielded MSE at the same time as the active units with which they are aligned for combat. This will result in greatly improved interoperability, capability, and compatibility of equipment.

Future Army Guard communications-electronics modernization must provide flexible, secure, reliable communications for our commanders in order to meet the increased mobility and lethality which will occur on tomorrow's battlefield. Each year that Congress has provided dedicated equipment appropriations to the Army National Guard, we have utilized a significant portion of those funds to improve our communications-electronics equipment and readiness posture.

ARMY GUARD ORGANIZATIONAL CLOTHING AND EQUIPMENT

The Organizational Clothing and Equipment (OCE) program has improved over the last two years. Overall, the most significant area of concern is Chemical Defense Equipment (CDE). The Army Guard has 436,000 Chemical Protective Overgarments (CPO). The CPOs will eventually be used for training as they are replaced with the camouflage Battle Dress Overgarments (BDO). We had approximately 140,000 contingency sets of BDOs on hand at the end of FY 85 and are scheduled to receive 160,000 more in FY 86. Our goal is to be able to provide one training set and one contingency set of CDE to each member of the Army National Guard.

OCE is undergoing modernization with new items/systems being fielded and others under development. The fielding of the Personnel Armor System, Ground Troop (PASGT) helmet is in progress. By the end of FY 86, we are scheduled to have on hand 212,000 helmets, receive 215,000 more in FY 87, and the remainder in FY 88. Fielding of the Combat Vehicle Crewman's (CVC) ensemble begins in FY 87 in much the same manner as any major end item of equipment. The fielding will take place over a three year period with the initial 14,500 sets scheduled for fielding in the Army National Guard in FY 87

Overall OCE shortfalls are programmed to be reduced from $434.3 million at the end of FY 85 to $362.4 million at the end of FY 87.

ARMY GUARD REPAIR PARTS

Army National Guard repair parts requirements reflect maintenance costs directly related to the age of the equipment, increased quantities of new and complex equipment, and equipment deterioration caused by increased usage to support year around training programs. FY 85 funding for repair parts of $174.9 million provided an increase of $58.1 million above the FY 84 funded level. This increase significantly enhanced our material readiness through increased stockage of repair parts at units in the form of combat prescribed load lists (CPLL). In addition, FY 85 funding was used to replace authorized stockage list (ASL) items depleted to almost zero balance during FY 84. FY 86 funding will decrease repair parts related maintenance backlogs in all of our maintenance shops, ensuring that adequate quantities of repair parts are available to sustain day-to-day maintenance operations. However, shortfalls will continue in FY 86 due to significant increases in the Army Guard equipment inventory. Requested funding for repair parts in FY 87 of $236.5 million will provide an increase of $7.2 million above the FY 86 level. The most significant improvements will be realized in increased stockage levels of CPLL and ASL repair parts and will fully support day-to-day operational and materiel readiness goals.

ARMY GUARD DEPOT MAINTENANCE

Requested funding for our depot maintenance program fully supports FY 87 overhaul requirements. A series of depot maintenance programs designed to upgrade the condition of our equipment, providing better mission capability, will continue through FY 87. Major overhauls are scheduled for aircraft, combat vehicles, missiles, trucks and other surface equipment that should improve our equipment readiness. Our Rustproofing and Rust Repair Program, designed to improve the condition of truck bodies and chassis, extending the life of tactical wheeled vehicles, will be funded at approximately $3 million.

Significant aviation depot maintenance activities are planned in FY 87 which will enhance the readiness of aviation assets and provide increased reliability and sustainability of Army Guard aircraft. We have scheduled induction of 86 UH-1, 2 AH-1, and 19 OH-58 aircraft into Corpus Christi Army Depot for overhaul in FY 87. In addition, 3 CH-54s are scheduled for induction into a sustainment maintenance program at a contractor's site in FY 87.

The Army National Guard depot maintenance program is one of the keys to continued improvement of our materiel readiness. This program provides the opportunity to maintain and sustain older equipment currently in our inventory at the highest possible levels of serviceability until new equipment is issued.

ARMY GUARD MILITARY CONSTRUCTION/FACILITIES

As the reliance on Army National Guard forces increases, our construction and base operations programs are undergoing evolutionary changes to become more responsive to these new missions. Key actions taken by the FY 86 Military Construction program demonstrates this more positive approach. They include construction of a Regional Training Center at Fort Dix, New Jersey, new ranges at Camp Ripley, Minnesota, for winter training; and new combat equipment storage and maintenance sites for expanded unit training in Michigan and Texas. Our FY 87 construction program concentrates on armory construction for the stationing and command functions for the reactivated 29th Infantry Division (Light). Additionally, we plan to construct an academic building for the Reserve Component Tank Commanders Course at Gowen Field, Idaho. the construction of automated rifle ranges in Michigan will permit increased numbers of soldiers to master and sustain marksmanship skills during training periods. This commitment to improve our training facilities is also carried through to our armory modernization and replacement program by expanding the functional areas necessary to support home station training. As the facilities become larger and more complex, the total cost and the unit cost of construction continue to increase.

For the first time in FY 85, direct funding was applied to our Backlog of Maintenance and Repair (BMAR). The reduction of $17 million resulted in a BMAR level of $42.2 million at the end of FY 85. Based on programed funding, we will meet the Congressionally mandated BMAR level of $15.0 million in FY 89.

Maintenance and repair of state owned/operated armories,for which states are 100 percent responsible, has not kept pace with current requirements. This is due, in part, to revised priorities at state level for expanded non-military programs which compete for available state funds and to reduced Federal funding for non-military state programs. Congressional concern with the physical condition of these armories and work space for additional federal employees being assigned due to the increase in federal missions led the Congress to add $33.0 million to our operation and maintenance appropriation in FY 86. This increase will assist the states in supporting Army National Guard personnel working in 100 percent state supported armories. It will help defray utility costs, maintenance and repair costs and modifications to work areas occupied by federal employees. Major repairs, such as roofs and boilers, will be accomplished with the federal funding assistance to aid the states in capital outlay areas.

AIR GUARD MILITARY CONSTRUCTION/FACILITIES

ANG missions can not be accomplished without new and modern facilities. Our Military Construction authorization request for FY 87 of $140 million includes $122.5 million for major construction, $2.1 million for unspecified minor construction, and $15.4 million for planning and design. This includes 34 major facility projects at 26 installations in 21 states. An analysis indicates that approximately three quarters of these projects are required to support new missions, conversions, and relocations. The remaining projects provide for the necessary replacement of facilities which are not economical to maintain. This request is small in relation to our existing $5.4 billion physical plant which averages 28 years of age.

Upon completion of the proposed FY 87 program, some 473 military construction projects, with a total estimated cost of $780 million, will still exist as valid, unfunded requirements. This includes 19 badly needed projects valued at $23.8 million which were deferred as a result of the combined effect of the general reductions to the ANG's FY 85 and FY 86 MCP.

ARMY GUARD UNIT TRAINING

During Annual Training 1985, the 49th Armored Division, Texas ARNG, became the third ARNG division in two years to train as a fully deployed division in the field. Ninety-six percent of the Army Guard field artillery units have successfully completed the 50 hour nuclear qualification evaluation over the last three year period.

Participation by Army Guard combat battalions in training at the National Training Center reached its highest level in FY 85. Five roundout battalions trained with their affiliated active component units. Force modernization actions will reduce our participation to two battalions each year in FY 86 and FY 87.

The Army Capstone Program continues to be important to the ARNG. Capstone provides a specific post-mobilization mission to which our units are able to train eliminating much extraneous effort and producing a better and more efficient training end product. Another example of the increased level and sophistication of ARNG unit training is our participation in Joint Chiefs of Staff (JCS) and Army Major Command (MACOM) exercises. In 1985, 390 units and unit cells participated in exercises in every Army theater, including Europe, Latin America, Korea, Alaska, North Africa and Southwest Asia. This trend continued when Wisconsin's 32nd Infantry (Mechanized) Brigade (Separate) deployed with all its personnel and equipment to Reforger 86 in January of 1986. It marked the first time a full ARNG brigade deployed overseas with equipment in peacetime.

While the 32nd Brigade was the largest ARNG unit to participate, 119 other ARNG units and unit cells also benefitted from the REFORGER 86 training opportunity.

TEAM SPIRIT 86 in Korea marks the largest involvement yet of our units in that major joint exercise. One hundred and forty-six units and unit cells will participate with 16 units shipping their organic equipment for participation in the Free World's largest joint combined exercise.

North Carolina's 30th Infantry (Mechanized) Brigade (Separate) will for the second time deploy a brigade task force with equipment to Italy for participation in DISPLAY DETERMINATION 86. An additional 33 ARNG units will also participate.

BLAZING TRAILS is the umbrella title for all Reserve Component engineer exercises conducted in Latin America. During 1985, 12,000 ARNG personnel conducted engineer and logistical support training in Panama. In 1986, 6,000 ARNG personnel will conduct training in both Honduras and Panama shipping heavy equipment by U.S. Navy sealift.

The ARNG Overseas Deployment Training (ODT) program experienced substantial growth during 1985 to 25,717 personnel in 865 units/unit cells training in 44 countries. In FY 86 we anticipate nearly 26,000 personnel will participate from over 1,100 units.

AIR GUARD UNIT TRAINING

The mission support units of the ANG are making impressive and innovative training advances.

In the past four years, our combat information systems units have deployed over 1500 personnel to Europe, Central America, Southwest Asia and Korea in support of major exercises. In FY 86, they will participate in nearly 40 exercises and deployments worldwide.

Our tactical control units train at home station by participating in system-wide exercises and in addition 13 units deployed to overseas exercises in FY 85. Six deployments are planned for FY 86.

Two engineering installation units deployed to Europe in FY 85 and plans are being made for additional deployments in FY 86 for these as well as our civil engineering and services units and our Prime Ribs Teams.

ARMY GUARD INDIVIDUAL TRAINING

Another proven success is the Army National Guard Key Personnel Upgrade Program (KPUP). The purpose of KPUP is to further develop key personnel in our units through direct association with their Active Component counterparts during tactical training exercises. It allows our personnel to perform in their assigned military occupational specialty (MOS) either in place of or alongside their Active Component counterpart.

These experiences of employing their skills with active units and utilizing the most modern equipment under demanding tactical situations have greatly contributed to improved MOS proficiency. Additionally, it has given our Guardmembers great confidence in their abilities. They return to their units with valuable tactical experience and new techniques which they have practiced in real tactical situations.

The KPUP Program expanded in 1985 with the development of centrally managed programs for specific career fields and major exercises.

ARMY GUARD NCO EDUCATION AND TRAINING

It is the responsibility of National Guard leadership to provide our noncommissioned officers with the training they need and deserve to permit them to lead our soldiers in battle.

Our commanders and senior noncommissioned officers have applauded the contributions of the Reserve Component Noncommissioned Officer Education System (RCNCOES) to the improved leadership posture of our NCO corps. Success of the program is such that over 33,000 students graduated in FY 85. Estimates are that approximately 35,000 students will graduate from RCNCOES courses in FY 86, more than five times the number that graduated in FY 80, the year the program was implemented. RCNCOES training is devoted primarily to leadership skills.

Our RCNCOES program includes the Primary, Basic, Advanced and Senior Noncommissioned Officer (NCO) Courses and the Reserve Component First Sergeants Course.

All of our personnel must be prepared to meet the same battle tests as infantrymen. The Army National Guard Battle Skills Course is designed to provide instruction in the technical aspects of squad and platoon weapons, their tactical employment, live fire familiarization and planning the use of nonorganic supporting weapons. The training, initiated in FY 84, is designed to complement the "train-to-train" skills taught in the RCNCOES. We expect 2,500 graduates in FY 86 and 3,000 in FY 87.

Another specialized training course initiated in the Army National Guard during FY 84 is the Reserve Component Tank Commanders Course. The purpose of this course is to prepare our NCOs for the duty position of tank commander in a tank company or troop. Students are trained to instruct crew drills and teach basic skills to their crews. The Tank Commanders Course is taught at Gowen Field, Boise, Idaho and will train over 800 Army National Guard tankers during FY 87. Like the Guard's Battle Skills Course, this course fits the needs of Guardmembers with limited time to devote to their military duties.

In order to ensure that the Active Guard/Reserve (AGR) and military technician force meets the same professional standards as their Active Army counterparts, we have developed the Military Education Program (MEP). In most instances, MEP requires that personnel attend the same courses conducted by the Active Army at an appropriate time in their career. Continued service in the AGR program is predicated upon successful completion of MEP. Equally important is active participation in the MEP by our military technicians. This will enhance their ability to perform in both their military and technician capacities.

ARMY NATIONAL GUARD AVIATION TRAINING

Current aviation training efforts have been greatly improved by the FY 83 activation of the Eastern Army National Guard Aviation Training Site (EAATS). Developed to handle the increased training work load in qualifying our aviators to meet individual and crew requirements, EAATS is designed to complement current training programs, not to replace them. A second aviation training site, the Western Army National Guard Aviation Training Site, is scheduled to be operational by FY 87. Its mission will be to supplement unit tactical training requirements.

We have established an intensive night vision goggle (NVG) training program to meet aviation mission requirements. This training requires not only specific flight training but specialized equipment. The Aviator's Night Vision Imaging System (ANVIS) has been designed to help the aviator meet this essential mission requirement. It is necessary for the Army National Guard to receive ANVIS in the near future for its aviation units for increased operational capability, cockpit compatibility, safety and reliability.

The current Department of Defense authorized maximum 24 additional flight training periods (AFTP) is causing concern. As missions increase and become more complex, additional flight opportunities become imperative if our aviators are to retain the necessary level of performance. An increase in AFTP's beginning in FY 86 will enhance the capabilities of ARNG aviation.

ARMY GUARD SAFETY

I am pleased to report our aviation accident rate has decreased from 2.58 accidents per 100,000 flying hours in FY 84 to 1.53 in FY 85. Human error on the part of commanders, aircrew members, supervisors and maintenance personnel continued to be the major factor in these accidents. During FY 85, we experienced a 13% reduction in motor vehicle accidents and a 28% reduction in combat vehicle accidents. To enhance the accident prevention program, we directed our units to designate one of our full-time personnel as a unit safety assistant. We have also developed a unit safety officer/NCO training course. Our analysis indicates a 12% reduction in FY 85 accident frequency from FY 84.

ARMY GUARD TRAINING SUPPORT

We have developed a strategy to improve training opportunities and effectiveness during Inactive Duty Training (IDT), thus enhancing training and improving unit readiness. The "Interlocking Training Strategy" provides the cross-walk from platoon through company to battalion level training outlined as follows:

a. Armory/Garrison training areas employ training devices and simulation exercises to provide training through platoon level.

b. Local training areas are developed to provide training through company level on modern, state-of-the-art equipment/devices to include company and team combined arms live fire exercises or their subcaliber and/or Multiple Integrated Laser Engagement System (MILES) equivalent.

c. Major training areas, normally Annual Training (AT) locations, are devoted to the support of battalion/task force maneuver and combined arms live fire training exercises.

To support our "Interlocking Training Strategy", a full complement of training devices, simulators, and simulations are essential. The FY 86 budget reflects a $37 million commitment by the Department of Army to provide the Army National Guard with technologically advanced state-of-the-art training devices such as MILES equipment for each of our maneuver battalions, the Tank Gunnery Missile Tracking Systems (103 total), the Dragon Launch Effects Simulators, Stinger Launch Simulators, maintenance trainers, and chemical detector trainers. Congress provided an additional dedicated appropriation of $50 million for Non-System Training Devices to the Army Guard in FY 86.

Congress also appropriated $5 million for research and development of Army Reserve Component unique training devices. These funds will be applied to the development of the training device initiative entitled Guard Unit Armory Full-Crew Interactive Simulation Trainer (GUARDFIST). The GUARDFIST initiative complements the "Interlocking Training Strategy" by providing full crew training at the armory/garrison training areas utilizing high technology, interactive video devices.

Another effort to improve IDT training involves the modernization, upgrade, and expansion of local training areas to offer the best opportunity for tactical training close to home. It is designed to maximize time, fuel, and ammunition while reducing materiel operating cost.

Coordination and development continue for the establishment of a Regional Training Center at Fort Dix, New Jersey, to act as a test bed facility for developing combat arms, combat support and combat service support soldier skills through a training device based strategy, for Regional Maintenance Training Sites to emphasize maintenance skill proficiency and Regional Training Sites-Medical for medical related skills.

AIR GUARD TRAINING SUPPORT

Our flying units make significant contributions to the Air Force as a by-product of realistic training. We participate as full partners with other components in overseas deployments, Joint Chiefs of Staff and Air Force training exercises, and Air Guard sponsored Composite Force training exercises.

Our overseas deployments temporarily move entire flying units to theater locations along with ground support personnel, civil engineering, tactical control, and combat communication units. Such deployments furnish the Air Guard with realistic and valuable theater specific training.

The Air National Guard has tested several deployment concepts in order to validate wartime capabilities and maximize training dollars spent. For example, we recognize that air refueling assets will be extremely limited during wartime. Therefore, we continue to use an island hopping deployment concept, moving a squadron from the Continental United States to Europe without air refueling. We successfully conducted such a deployment in FY 85, when we moved 12 A-10s from Maryland to Germany without air refueling. This type of deployment is extremely important considering the likelihood of limited aerial refueling during contingency operations.

In FY 85 both the Strategic and Tactical Air Commands specifically requested Air National Guard KC-135E tankers (recently modified with the powerful JT-3D fan jet engines) support their global deployment requirements. The improved performance capability of these reengined aircraft allows operations from the short runways typical in the European theater and Mediterranean basin. The KC-135E is about 20 percent more capable than Strategic Air Command's old KC-135As. The Air Guard's E-model can take off heavier from a shorter runway, fly farther and deliver a larger offload of fuel than the A-model...and it is significantly quieter. I thank the Congress for their support in providing the necessary funding for the KC-135 reengining program.

During 1985, four ANG units deployed four aircraft each and approximately 300 personnel to Moron AB, Spain for 15 days of annual training in support of the European Tanker Task Force. Training benefits realized were European theater air refueling tactics for our aircrews, unit support operations away from home station for our support personnel and a mobility preparedness exercise for all. Nine ANG KC-135's also provided air refueling support for CORONET BUFFALO in May 85, which deployed 36 ANG A-7's to England in the largest peacetime overseas deployment of ANG aircraft. The 101st AREFW, Maine ANG, acted as Tanker Task Force Command for the ANG KC-135's augmented by USAF KC-135 and KC-10 aircraft. Two units, with four aircraft and 120 personnel, deployed to Cairo, Egypt in August 1985 in support of BRIGHT STAR 85.

In the Southern Command region, the ANG maintains four A-7 aircraft on station at all times in defense of the Panama Canal. These aircraft are supported by our reengined KC-135s, which in addition to performing aerial refueling, move personnel and equipment and free up previously used C-130s for other taskings. We also maintain two Aircraft Control and Warning Radar units in defense of Puerto Rico, and support airlift requirements throughout Central and South America with six C-130 aircraft, a mission we share with the Air Force Reserve.

During FY 85, Air National Guard Tactical Airlift units provided support for 340 missions utilizing 1324 airframe days to Joint Airborne/Air Transportability Training (JA/ATT), an interservice program for the wartime application of airlift. In this program, the various services jointly develop common procedures for combat operations in order to attain and maintain wartime readiness.

The Air National Guard also supports the Army in exercises throughout the world. Joint training programs, such as at the National Training Center, Fort Irwin, California, provide joint training experience for both the Army and the Air National Guard.

To further the ANG fighting capability and familiarize our Air Guard personnel with joint operations, Composite Force training exercises are conducted throughout the year. These exercises are sponsored and planned by Air Guard flying units, Permanent Field Training Sites, and active Air Force units. These exercises encompass all mission areas of the Air Guard and are developed for the specific purpose of providing realistic training for all participants.

As a further measure of the Air National Guard's global readiness and realistic training received, 10 tactical fighter and reconnaissance units participated in 7 overseas deployments to Germany, Norway and England in FY 85. Two of these deployments were joint deployments where two or more units deployed together. This approach has reduced airlift costs, since the units share equipment and resources. Fourteen fighter/reconnaissance units are scheduled to participate in 11 overseas deployments in FY 86.

In recognition of the increasing importance of electronics combat, the Air National Guard has developed a long-term project to design, build, and employ low-cost electronic warfare simulators. These simple, but effective, radar transmitting devices are deployed to Air National Guard gunnery ranges throughout the United States. They are currently being used in large-scale exercises in support of readiness training for US Air Force, Army and Air Guard, US Navy and Marine Corps aviators.

AIR GUARD COMMUNICATION EQUIPMENT

As a result of a recent Air Force policy which sets forth an operational doctrine upon which a combat communications force structure is based, future tactical communications equipment allocations to ANG combat communications units will be based on mission priorities. This doctrine will have a significant impact on the modernization of these units.

Helping to alleviate some of the funding shortfalls and improving modernization, has been the appropriation by Congress of special procurement funds for ANG tactical communications equipment. However, the lack of standardized and modern communications equipment and the need to accept less than optimum capability will not be resolved until equipment provided through the joint DOD TRI-TAC program and other Air Force programs is made available to ANG units. Since the majority of USAF's tactical wartime communications support is tasked to ANG units, modernization of their equipment is essential to insure interoperability with other US and allied forces.

AIR GUARD SAFETY

For the fifth consecutive year we experienced an aircraft major mishap rate below 3.0. The rate for 1985 was 2.8 mishaps for each 100,000 flying hours. This was up from a rate of 1.9 in 1984, but still commendable in light of the high activity level in fighter aircraft. Operator error reduction continues to demand the most emphasis in our continuing accident prevention program. A very successful ground safety program resulted in a military personnel injury rate of 13.0 injuries for each 100,000 personnel assigned (includes weekend personnel). Technicians and Department of the Air Force assigned civilians earned a 1.4 per 200,000 operating hours rate. We have been successful in obtaining funding to place more of the authorized fulltime Safety NCO's in FY 86. By theend of FY 87 all ANG flying units will be funded for a fulltime ground/explosive safety NCO. We anticipate FY 86 to be a record setting, low mishap rate year in all areas for the ANG.

READYING/MOBILIZING THE ARMY GUARD

In FY 85, overall Army Guard readiness, as measured by the Unit Status Report (USR), increased by five percent reversing a downward trend which began three years ago. Indicative of this improved trend were increases in all resource areas: logistics, personnel, and training. In the personnel area, steady improvements were attained in military occupational skill qualification (MOSQ).

Force structure changes and force modernization initiatives continue to have a negative impact on readiness reporting as units are reporting readiness against new wartime requirements before equipment is available for distribution. To counter this bias, we have developed a new policy to delay effective dates of Table of Organization and Equipment (TOE) changes until adequate resources are available to support them and to designate certain modernization items which are in existing TOE non-reportable until they are available for issue at minimum combat ready levels.

In addition, we have developed the Equipment Readiness Analysis (ERA) program. This computerized program manages existing equipment assets and resources by redistributing them throughout the command based upon readiness requirements, optimizing the use of available resources and ensuring better distribution of resources.

Although USR's provide an indication of a unit's resource level, the reports do not give a complete picture of combat capability. For example, an armor battalion receives M1 tanks as replacements for its M60s. This increased capability would not be reflected in its USR. In the past, there has been no systematic means for measuring, reporting, and monitoring changes in warfighting capability. As a result, a system called Measuring Improved Capability of Army Forces (MICAF) was developed.

MICAF is a computer model which measures the improvement in a unit's capability over time resulting from the receipt of new equipment and serves as a supplement to the USR to provide a bridge between equipment status and unit equipment potential.

The MICAF 85 study indicates that the warfighting capability of our divisions, separate brigades and armored cavalry regiments has improved approximately 21 percent from 1980-1985.

As our units are tasked with increasingly demanding missions and deployment dates, our efforts to improve their mobilization preparedness remain an extremely high priority. Over 50 Army Guard mobilization planners were trained at the new Mobilization and Deployment Planners Course at Fort Sam Houston, Texas in FY 85. As our mobilization planning becomes more refined, our methods for exercising plans must also be improved. In that regard, in FY 85, over 600 mobilization exercises were conducted by the states. The exercises included high priority Army Guard units and State Area Commands.

In FY 86, it is expected that 650-700 exercises will be conducted and in FY 87, for the first time, funding should permit large scale involvement of our combat divisions and separate brigades in the exercise program.

READYING/MOBILIZING THE AIR GUARD

I am proud to report that again in 1985, Air National Guard units successfully demonstrated their capability to perform their wartime mission during Operational Readiness Inspections (ORI's). Even through the turbulence related to conversions and modernization, the readiness of our units remains at very high levels.

There are a number of contributing factors to our readiness. Recent adjustments to ANG precedence ratings in the DOD Logistics System has given us parity with like Air Force units. As a result, we have improved our equippage and support posture in consonance with DOD policies. Newer, more modern, equipment is also a factor as fewer logistical problems exist. Thirdly, our people are doing their job. Realistic training and increased activity provides a solid base in preparation for ORI's. These inspections are conducted using realistic wartime scenarios that inject stress and require unit commanders and staff to make decisions that closely approximate what would or could be done in an actual wartime environment. The majority of Air National Guard units, including flying, combat, communications and ground tactical air control units now deploy from their home station to Air Guard Field Training Sites and other locations for their inspections. These deployments accentuate mobility training and experience in unit operations in unfamiliar environments and have materially enhanced unit readiness and capability. One of our combat communications units (263rd, Badin, NC) was the first of any Air Force Combat Communications units to receive an outstanding ORI rating.

FAMILY AND EMPLOYER SUPPORT

Families, employers, and the American public in general must understand that the National Guard carries a major portion of the defense of this nation. Increased participation in National Training Center rotations, JCS exercises and overseas deployment training serve as examples of expanded training required of many units. Our personnel often find it necessary to train beyond the normal two week annual training period and forty eight training assemblies per year. As a result, the potential exists to strain family and employer relationships. Acknowledgement of the moral support of families and economic support of employers during these extended training periods must, therefore, be made. The role of the National Guard in the defense of this nation is increasing and the continued support and understanding of families and employers toward the citizen-soldier is vital to the success of that effort.

ARMY GUARD SUMMARY

The Army National Guard of today is very different from the Guard of the past. Training demands and the responsible role played by the Guard in national security place a significant burden on its soldiers and their families. They, the soldiers, are meeting the challenges, often through increased personal sacrifice. Our nation is benefitting from the contribution of our citizen-soldiers. The economies derived from a truly effective Army National Guard are felt across a wide spectrum of our society. All Americans are well served by the results.

AIR GUARD SUMMARY

The Air National Guard has proven to be an integral part of the Total Force. The Air Guard exists to support U.S. foreign policy and national security objectives, while providing a State militia uniquely qualified for local disaster and public safety missions. Our responsibilities are truly global, national, and local, and each offers its own set of challenges for the future.

The Air National Guard is ready to meet these challenges. The capability of our citizen airmen to respond to the most demanding wartime missions is a matter of record. We appreciate the continuing strong support of the Congress. That support has permitted the Air National Guard to continue modernization and to make significant progress toward our goal of strength through readiness.

Mr. DARDEN. Thank you, very much, General Walker. I think we will proceed by having the statements of General Temple and General Berkman, and then we will open the questions up to the entire panel, if that is all right with the members.

So, General Temple, if you will proceed.

General TEMPLE. Thank you, sir.

STATEMENT OF MAJ. GEN. HERBERT R. TEMPLE, JR., DIRECTOR, ARMY NATIONAL GUARD

General TEMPLE. I am pleased to appear before your subcommittee to discuss the status of the Army National Guard. I have previously submitted a statement for the record.

Mr. DARDEN. Without objection that statement will be made a part of the record.

General TEMPLE. Very well, sir. The Army National Guard closed fiscal year 1985 at another all-time high of 439,952 personnel. Our goal this year is to reach an end strength of 450,496 with a further increase to 462,800 in fiscal year 1987.

The quality of our force continues to improve as is demonstrated by the fact that last year 75.7 percent of our nonprior service enlistees were high school graduates as compared to 68.8 percent in fiscal year 1984. Achievement of our strength goals will continue to be a challenge in the face of a stable economy and a dwindling pool of eligible recruits.

However, with the new GI bill and extension of the selected reserve incentive program, I feel that Congress has provided the tools we need and I am confident that we will be able to achieve our strength goals in the near term.

Our fiscal year 1987 request includes increases of 4,990 Active Guard and Reserve personnel and 500 military technicians. Authorization of those increases would increase fulltime support to 76 percent of requirements, and would provide additional personnel we need to organize and conduct training and for equipment maintenance and resource management.

Shortfalls of major items of equipment continue to be our greatest inhibitor in improving readiness. Our shortfall from wartime requirements at the end of the last fiscal year amounted to slightly over $10 billion, equating to 36 percent of wartime requirements.

On the other hand, positive efforts are being made by the Department of the Army, within constrained procurement resources, to modernize equipment in the Army National Guard. Last year we received Ml tanks, Bradley fighting vehicles, improved TOW vehicles, M-198 Howitzers, and Roland missiles, a total of 1.4 billion dollars' worth of equipment in 1985.

The future holds much promise for further modernization of the Army Guard. The Department of the Army leadership is committed to totally equip our armor force with Ml and M60A3 tanks by the early-1990's. In addition to increased quantities of the types of modern equipment previously mentioned, we are scheduled to receive AH-64 Apache helicopters, Black Hawk helicopters, and additional AH-lS Cobras, high mobility multipurpose wheeled vehicles, Chaparrals, and Hawk air defense systems, and numerous other items of major equipment, a total of over 3 billion dollars' worth over the next 2 years.

Dedicated funds appropriated by Congress for Army National Guard equipment procurement are greatly appreciated by all members of the Army Guard and, for them, I thank you for your continued interest and support in this area. We have used the nearly $900 million you have appropriated for this purpose since 1982 to significantly enhance equipment readiness, particularly of our early deploying units.

We are training soldiers as we have never trained previously. When I joined the California National Guard, I trained almost exclusively at Camp Roberts or Camp Irwin, CA. If one were to seek out locations where Army National Guard soldiers are training this year, one would be required to travel all over the free world. And, to provide an example of the growth in training worldwide, 1976 was the first year in which Army Guard units participated in overseas deployment training when six units deployed.

Last year, over 865 units and unit cells, involving nearly 26,000 soldiers, participated in overseas deployment training in 44 countries around the world. Just last month, a mechanized infantry brigade from the Wisconsin Army National Guard deployed with its personnel and equipment for participation in WINTER REFORGER 86 along with 118 other Army National Guard units and unit cells.

This was the first time in peacetime that an entire Army National Guard Brigade had deployed with equipment for participation in an overseas exercise. We will also be sending battalion size and larger task forces with their equipment to train in Korea, Italy, and Panama, this year.

We currently have soldiers and units participating in the Blazing Trails exercise, to which General Walker previously referred, in Panama and Honduras. This is the third consecutive year that Army National Guard personnel have participated in training exercises in Central America, receiving outstanding opportunities to demonstrate their skills, and performing remarkably well.

The National Training Center provides another arena for incomparable unit training opportunities for the Army National Guard. Seven of our combat battalions have experienced the physically and mentally vigorous combat training to which our units are subjected to at the National Training Center. The National Training Center's force-on-force scenario, in which opposing units engage, provides the most realistic combat conditions, short of actual combat, available anywhere in the free world. Two more of our combat battalions will participate each year in training at the National Training Center through 1987 and beyond.

Our Key Personnel Upgrade Program [KPUP] continues to pay high dividends by providing opportunities for our soldiers to practice their military specialties along side, and sometimes in place of, their active component counterparts. Under a centrally managed KPUP we instituted at the National Guard Bureau last year, Army National Guard personnel, including doctors, nurses, medical specialists, and even chaplains, participated in training with active component units in Europe and Korea. We sent nearly 500 KPUP personnel to REFORGER in 1985 and 1,000 to REFORGER in 1986, as well as over 160 for TEAM SPIRIT in 1985 to Korea.

Additionally, last year, approximately 2,500 of our soldiers participated under the auspices of the KPUP Program at the National Training Center, performing their specialties in active component units.

I am extremely proud of the training being accomplished as a result of two new courses implemented in the Army National Guard in 1984: the battle skills course and the Reserve component tank commanders course. The battle skills course, conducted at Camp Robinson, AR, teaches combat and leadership skills which are absolutely essential if our noncommissioned officers, the key to success in combat, are to effectively lead our soldiers. The Reserve component tank commanders course, taught at Gowen Field, ID, provides tank commanders with the basic armor skills they need to instruct their crews.

Other training initiatives underway involve establishment of a regional training center, regional maintenance training sites, and regional training sites for medical personnel. The regional training center at Fort Dix, NJ, will employ state-of-the-art training devices and simulators for development of soldier skills and to provide leader training.

The regional maintenance training sites will address the longstanding problems we have had in providing training for our nondivisional maintenance personnel, not only on equipment presently on hand, but on the newest equipment being fielded throughout the Army. The training will be conducted at the regional maintenance training sites and will greatly enhance the capability of our maintenance personnel to maintain the modern equipment they will encounter on tomorrow's battlefield.

The regional training sites for medical personnel will have complete sets of deployable medical systems available for issue to our medical personnel for training in a field environment.

All of the training in which we are participating requires that a price be paid. We are asking our soldiers to pay that price in their personal leisure time, in their families' time, and in time away from their employers. It will continue to take time and absences from home, family, job, and other interests to achieve necessary levels of excellence.

Our soldiers have demonstrated their willingness to give their time to reach those levels and based upon my observations, I am convinced that they can perform their wartime missions if called upon to do so. We must continually strive to make the family and the employer aware of, and partners in, our soldiers' military commitment.

Through the efforts of the Congress, the Department of Defense, and the Department of the Army, the momentum is established to provide the resources the Army National Guard requires as an integral part of the total force. I ask you to sustain that momentum by supporting the fiscal year 1987 President's budget request.

Thank you for providing me the opportunity to testify. I am prepared to answer your questions.

Mr. **Darden**. Thank you, General Temple. And, we will proceed now, with a statement from General Berkman.

PREPARED STATEMENT OF MAJ. GEN. HERBERT R. TEMPLE, JR.

INTRODUCTION

The National Guard celebrates its 350th anniversary in 1986--350 years of soldiering, 350 years of neighbors helping neighbors, 350 years of dedication and professionalism, 350 years of fighting for and defending the freedom of our country. As we look at our history and into our future, we see a common thread--a military component dedicated to freedom and democracy--citizen soldiers contributing a major portion of the national defense--from 100 percent of the common defense in Colonial Massachusetts to nearly half of the Army's combat capability today.

The National Guard has participated in every major conflict in which our country has been involved--from Bunker Hill to New Orleans, from the Meuse Argonne to Normandy, from Old Baldy to Pleiku, all etched in the chronicles of our history. The Guard has served proudly, fought valiantly, spilled its blood freely and, ultimately, taken the objective. As a matter of fact, only when the citizen soldier has been called to active service has this country rallied, has the tide changed, have we been victorious in major conflicts.

The founding fathers of this country saw the need for a militia composed of citizens ready for call at a moment's notice, citizen soldiers willing and able to defend the common good and, when the crisis was ended, to return to their homes and communities. History has proven that citizen soldiers will give their all, their lives, if necessary, for the common good.

The National Guard is the oldest military institution in this great country, predating all others. In fact, many of our members actually formed and became the leadership of the original regular forces. The Guard has survived, not because of indifference, not because of inflexibility, not because of insignificance, but, rather, because it is a system that works. The system is working so well that the National Guard is being asked to shoulder more and more responsibility for national defense and has become essential to national security. Never before in the history of the National Guard have citizen soldiers been asked to bear the responsibilities and make comparable sacrifices in peacetime than they are today.

Through the continued cooperation of the Congress, the Department of Defense, the Department of the Army, and the states and territories, the Army National Guard has emerged as a dependable and reliable partner on the national security team. As we congratulate ourselves on our successes, however, we must never forget that our achievements have been accomplished through the commitment and personal sacrifices of the men and women who serve in the troop units of the Army National Guard.

Our mission is to deter war through strength. When deterrence fails, we must fight and win. In both instances, our soldiers must pay the price. We build our programs and allocate our resources to support our soldiers.

The National Guard is a unique military force that is deeply ingrained in the economic and social life of more than 2600 communities in our nation. The 3,350 units of the Army National Guard are in many instances a vital part of the history of their state and region. Generations of families have served in the Guard in peace and war. To understand the pride and motivation that serves the National Guard, it is essential to recognize the cohesion and esprit that comes from friends and neighbors striving together for mutual satisfaction and protection.

This combination, along with its heritage of patriotism and valor in battle, gives the Guard its meaning and purpose, and establishes a military foundation seldom found even among many of the regular forces of the world. Our challenge is to focus this combination of remarkable factors to serve the nation's security interests.

Training is the single element which synergizes the capabilities of the Guard for this purpose, but training alone will not develop the necessary product. Equipment is an essential ingredient. In past wars, there has been time for development and manufacture of weapons that allowed our soldiers to be victorious.

Today's threat is different. Guard units will not have time to marshal before the battle. We must have the necessary equipment on hand or readily available for peacetime training or to use in battle within days or weeks of mobilization.

Although training and equipment are unquestionably vital to a military organization, there are other elements which affect its utility. The Army National Guard is aggressively working to bring the following divergent elements together: (a) the continuous maintenance of strength with quality personnel; (b) the routine support of the physical needs of our soldiers and their families while they are on duty; and (c) a sophisticated and functioning management system to allocate and optimize the utilization of the resources provided by Congress to the Army National Guard. Management of those resources must meet the day-by-day peacetime needs of the Army National Guard and be fully integrated into Total Army systems in the event of war.

STATE MISSION

The National Guard responded to emergencies throughout the United States and its territories during FY 1985 by preserving life, protecting property, and helping to maintain law and order. Civil authorities in 45 states and 3 territories relied upon the expertise and responsiveness of the National Guard to confront 614 emergencies of all types. Extreme weather conditions were again the cause of the majority of call ups. They ranged from snow storms and significant cold spells in the northern and southern United States to disastrous flooding and tornado conditions in the central and southern areas during the first six months of FY 85. Considerable tornado and major flooding activities caused many emergencies in the third and fourth quarters including disastrous hurricane conditions in the south and on the northeast coast. In addition, forest fires in the western and southeastern states during the summer of 1985 caused a significant number of call ups . A variety of other natural disasters required the help of citizen soldiers ranging from flood recovery to stream maintenance. Chemical spill, emergency power, potable water, housing of the homeless, medical evacuation, and search and rescue missions were among the humanitarian missions conducted. Missions in support of drug law enforcement agencies continued as an increasing number of states supported the task of marijuana eradication/interdiction and other suppression efforts. Increased requests for specialized equipment and personnel in a variety of missions continue to reflect public acceptance of the National Guard as a professional emergency force available to provide vital support to our citizens.

FEDERAL MISSION

ORGANIZING THE GUARD

Forty-five percent of the combat forces and twenty percent of the support forces within the Total Army are provided by the Army National Guard. Major unit contributions to the Total Army force structure include ten combat divisions, fourteen separate brigades, four armored cavalry regiments, an infantry scout group, two special forces groups, four TOW (Tube-Launched, Optically Tracked, Wire Command-Link, Guided) light anti-tank battalions, four roundout brigades, and seven roundout battalions. In the event of full mobilization, eighteen of the twenty-eight Army divisions would be furnished wholly or in part by the Army National Guard.

Significant force structure actions in FY 85 and FY 86 continued to revolve around organization of the Army Guard's two newest divisions, the 35th Infantry Division (Mechanized), headquartered at Fort Leavenworth, Kansas, and the 29th Infantry Division (Light), headquartered at Fort Belvoir, Virginia. The 35th Division, made up of units from Colorado, Kansas, Kentucky, Missouri, and Nebraska, activated the headquarters elements of the Division Support Command (DISCOM) and the divisional engineer and signal battalions in FY 85. In FY 86, the maneuver brigades will convert to organic divisional organization, the Division Artillery will be activated and existing field artillery battalions will convert to divisional organization. The Combat Aviation Brigade will be activated along with the divisional cavalry squadron. With the programmed activation of an armored battalion and a target acquisition battery in FY 87, the 35th Division will be fully structured with the exception of its air defense artillery battalion. The Headquarters and Headquarters Company, 29th Infantry Division (Light) was activated 30 September 1985. Organization of the 29th Division will continue in FY 86 by consolidating two separate infantry brigades, Maryland's 58th Infantry Brigade and Virginia's 116th Infantry Brigade, which will form the nucleus of the division. The other elements of the division will be organized through activations and conversions of existing units in Maryland and Virginia.

Two actions begun in FY 84 and completed in FY 85 were organization of the Army's only Infantry Battalion (Mountain) and its only operational all weather, short range air defense unit, the Roland Battalion. Vermont's 3rd Battalion, 172nd Infantry (Mountain), uniquely organized and equipped for missions in mountainous and high alpine terrain, is the first such unit in the Total Army since the conclusion of World War II. The Mountain Warfare School, activated at Camp Ethan Allen, Jericho, Vermont, supports the battalion and further serves as a focal point for mountain training in the Army National Guard. New Mexico's 5th Battalion, 200th Air Defense Artillery (Roland), completed organization of its headquarters and headquarters battery and three firing batteries. The unit became fully operational in FY 86.

Three Army Guard heavy divisions initiated conversion to the Division 86 design in FY 85. These changes in the divisions' structure will be completed in FY 86 with the formation of their Combat Aviation Brigades, modernizing both attack and lift capabilities. The Division 86 changes will provide the divisions the capability to fight all aspects of AirLand Battle. Oregon's 41st Infantry Brigade began its conversion from a roundout to a roundup mission in FY 85 as the 7th Division converts to the light infantry division configuration. The 41st Brigade will maintain its current resource priority and training relationship with the 7th Division, but will become a corps rather than a divisional asset.

Other FY 86 actions involve roundout roles of two Army National Guard brigades. New York's 27th Infantry Brigade, 42nd Infantry Division has been designated as roundout to the active Army's 10th Mountain Division (Light Infantry). It will convert from its divisional brigade role and assume its roundout mission in April 1986. Organization of a replacement brigade for the 42nd Infantry Division is scheduled for FY 87 and FY 88. The roundout role for Hawaii's 29th Infantry Brigade will change to a roundup mission as the 25th Division converts to a light infantry division. The 29th Brigade will maintain its current resource priority and training relationship with the 25th Division, but will become a corps rather than a divisional asset.

Force structure actions in FY 87 will concentrate heavily on aviation force modernization. Aviation support for the five Army Guard Infantry divisions will be modernized with the activation of divisional Combat Aviation Brigades. At corps level, five attack helicopter battalions and five combat aviation battalions will be formed. Other actions involve conversion of the only TOW light anti-tank battalions in the Total Army to a modernized structure, authorizing them the new high mobility multi-purpose wheeled vehicle. Modernization of the six Army Guard armor and mechanized infantry separate brigades and conversion of two Armored Cavalry Regiments (ACR) will occur in FY 87. The ACRs will reorganize into the Division 86 configuration and each will activate a combat support squadron. Additionally, they will consolidate and expand their aviation assets into regimental combat aviation squadrons.

MANNING THE GUARD

Fiscal Year 1985 opened with a record paid end strength of 434,259 and closed with a new all time high of 439,952 soldiers. The closing strength represents 100.4 percent of our projected strength. Commissioned/Warrant Officer strength was 42,340 or 96.8 percent of projections while enlisted strength of 397,612 was 100.8 percent of projections. The net gain of 5,693 end strength over FY 84 was attained through aggressive recruiting and reflects a tremendous effort to increase and sustain strength at this all-time high level. End strength objectives for FY 86 and FY 87 are 450,496 and 462,800, respectively.

We began processing all prior service and non-prior service recruits through Military Enlistment Processing Stations (MEPS) 1 December 1985. The decision to implement full MEPS processing has been primarily in response to the requirement for HTLV-III antibody testing for all applicants entering the Army National Guard. Processing of all applicants at the 70 MEPS locations throughout the nation has a significant impact on travel and administrative processing requirements. We view this as both a challenge and an opportunity; a challenge because it is a dramatic shift in recruit processing operations and an opportunity because we should be able to provide higher quality services to our applicants.

Retention of highly qualified and motivated personnel continues to be one of our primary goals. The most significant and cost effective method of maintaining end strength is through retention. Our efforts during FY 86 and FY 87 will be directed at educating each Army Guard leader, down to squad/section level, regarding his or her responsibility to the individual soldier. Areas of special emphasis will encourage chain of command involvement in the retention process and revitalization of sponsorship programs.

Officer end strength was the highest level achieved in the history of the Army National Guard, representing 96.8 percent of the budgeted FY 85 objective of 43,751. Major problem areas continue to be shortages of captains in each of the combat arms branches as well as the chronic shortage of special branch officers (medical doctors, nurses, and chaplains).

Over 1300 officers were accessed from the Reserve Officers Training Corps (ROTC) in FY 85. The Simultaneous Membership Program (SMP) provides the majority of our ROTC accessions. This program allows advanced ROTC cadets to be active members of ROTC and serve in the Army National Guard as officer trainees. The SMP remains a key to successful input from ROTC with approximately 2,440 Army Guard participants in FY 85. The next largest source of ROTC officers for the Army National Guard were commissioned under the Early Commissioning Program (ECP). The ECP allows participants to accept an early commission upon completion of advanced ROTC and serve with the Army National Guard until completion of their college degree. Upon graduation, many are accessed into the Active Component while the remainder continue to serve in the Army Guard or Army Reserve.

ROTC Reserve Forces Duty Scholarships were awarded to 91 members of the Army Guard in FY 85. These two-year scholarships are designed to attract college students with outstanding potential as future National Guard officers. The pending expansion of the scholarship program, authorizing three- and four-year scholarships to Army Guard personnel, is expected to enhance the value of ROTC as a source for quality officer accessions.

The State Officer Candidate Schools (OCS) continue to be the most consistently reliable source of Army National Guard career officers. The State OCS programs produced 1,147 second lieutenants which amounted to 28 percent of Army Guard commissioned officer accessions for FY 85. Educational assistance available under the Assistance for Military Professional Development (AMPD) Program contributed toward one of our largest initial enrollments in the State OCS since school year (SY) 79-80. Additionally, State OCS class SY 84-85 experienced one of the lowest attrition rates recorded, less than 42.5 percent. Data to date indicates a continued decline in attrition for SY 85-86. These successes have been achieved in spite of increasing civilian education requirements for initial OCS enrollment. Additionally, 93 officers were commissioned from the Active Component OCS program at the U.S. Army's Infantry School.

Two new programs having potential impact on officer accessions are the Army National Guard Lieutenants Management Team (ALMT) and the Warrant Officer Training System (WOTS). The ALMT was implemented in July 1985 to increase the flow of Reserve Forces Duty (RFD) officers to the Army Guard. The ALMT serves as a focal point to access RFD lieutenants which include newly commissioned ROTC officers and the unassigned pool of obligated, trained officers of the Individual Ready Reserve (IRR). Referrals are made to the States based on reported officer vacancies. The ALMT was responsible for over 412 appointments during three months (July - September) of operations in FY 85. When fully operational, the three-man cell is expected to provide a minimum of 800 additional officer appointments annually. Implementation of the WOTS at the beginning of FY 86 effectively ended direct appointments for technical service warrant officers. The WOTS provides a life cycle management system for warrant officers, ensuring the availability of qualified warrant officers to meet the current and future needs of the Total Army. Requirements were established by the WOTS for warrant officer candidate training and military occupational specialty (MOS) technical certification prior to initial appointment. Warrant officer appointments after 1 October 1985 are being made as a result of a three step process: (a) applicants are selected and receive preappointment evaluation by a federal recognition board; (b) candidates are required to successfully complete the Warrant Officer Entry Course; and (c) candidates receive warrant officer appointments following technical certification by the MOS proponent agency. Implementation of the WOTS may cause an initial decrease in the number of warrant officer appointments. However, this reduction is not expected to be long term. Ultimately, the system will provide a much improved methodology for the training and appointment of technically qualified warrant officers to meet the needs of the Army National Guard.

Enlisted personnel gains totaled 82,952 representing 95.4 percent of the FY 85 objective. Throughout the fiscal year, nonprior service enlisted accessions continued below projections, while the recruiting of prior service personnel continued to exceed expectations. Nonprior service enlistments were 39,410 or 80.4 percent of objective while prior service gains were 43,542, or 114.9 percent of objective.

Nonprior Service (NPS) enlistments continue to reflect a high quality of personnel. The Congressional ceiling of twenty (20) percent enlistments of Test Score Category (TSC) IV personnel continued in effect this fiscal year. The Army National Guard ceiling was lowered from 12 percent to 10 percent in FY 85. End of FY 85 TSC IV enlistments of 10.8 percent were well below the ceiling imposed by Congress but exceeded the Army Guard objective. Beginning in FY 85, we were able to breakout TSC I-IIIA and I-IIIB accessions. Percentage data for I-IIIA was 46.8 percent and 42.4 percent for IIIB NPS enlistments. We are proud of this continuing record of quality enlistments which is attributable in part to the Selective Reserve Incentive Program (SRIP). During FY 85 the NPS enlistment goal for high school diploma graduates (HSDG) was raised to 72 percent. Beginning with the second half of FY 85, we continued to exceed this objective and ended the year with 75.7 percent of the total enlistments as HSDG. This percentage does not include General Educational Development (GED) enlistments which are considered to be non-high school graduates.

Enlisted losses remained well below the objective during FY 85, both in ETS (expiration term of service) and Non-ETS. The below projected ETS losses, in turn, reflect better than projected retention.

At the end of the fiscal year total minority strength consisted of 112,097 commissioned/warrant officers and enlisted personnel, representing 25.5% of the total paid strength. Black strength reflected net gains, especially in the officer category, for FY 85. Black officer strength reflected 4.8% of total officer strength while black enlisted personnel ended at 18.5% of total enlisted strength. At the end of FY 85 Black commissioned and warrant officer strength was 2,048 and enlisted strength was 73,449 for a total of 75,497, comprising 17.2% of the total paid strength.

Female strength increased slightly during FY 85 and continues to be affected primarily by the significant number of female officers and enlisted personnel serving in closed units. Loss of previously open positions in combat support units has impaired recruiting in this area. At the end of the fiscal year, there were 2,209 female commissioned/warrant officers and 20,586 female enlisted personnel for a total of 22,795 female personnel comprising 5.2% of paid strength. FY 85 accessions of enlisted women increased slightly. Over 55% were NPS. Beginning in FY 86, each State was given an enlisted women end strength goal based on the number of positions open to women in the State, the female strength in the State, and the Army National Guard enlisted women strength goal. Even though The Direct Combat Probability Code (DCPC) Policy, implemented in FY 84, closed approximately 66 percent of all positions in the Army National Guard to women, we still have positions available for more women as evidenced by the fact that only 43 percent of all E4 and below positions open to women are filled by women. Despite the constraints imposed on us by the DCPC Policy, we remain committed to increasing the total strength of enlisted women in the Army National Guard.

The SRIP continues to be an extremely important tool for recruitment and retention of our quality force, allowing us to target our personnel resources into high priority units and shortage skills. Currently in excess of 125,000 soldiers in the Army National Guard are participating in one of the SRIP categories. Extension of the SRIP through FY 87 was, in our view, one of the key actions passed in the FY 86 Department of Defense Authorization Act. Other changes were increases in the Reenlistment Bonus and Affiliation Bonus, extension of the Student Loan Repayment Program as a permanent program, and addition of a Prior Service Bonus, a Student Loan Repayment Program for Health Professionals, and the Armed Forces Health Professionals Scholarship Program for the Selected Reserve. These changes will only enhance the viability of

SRIP and continue to provide the vital and necessary tools required to attract and retain quality soldiers.

Professional Development Programs

Our future leaders must attain the highest levels of intellectual achievement if they are to lead a better educated force. We have taken steps to ensure a better educated officer corps by requiring: (1) completion of two years of college for all officers by 1 October 1989; (2) completion of two years of college for all State OCS graduates prior to appointment, beginning in 1989; and, (3) completion of a baccalaureate degree prior to appointment to major for all officers appointed after 30 September 1983.

A program providing educational assistance for Army Guard soldiers is the Army Continuing Education System (ACES). ACES was extended to the Army National Guard during FY 86 as a Total Army program providing educational opportunities such as basic skills, high school completion, and part-time college programs not covered under the New GI Bill. Individuals receiving benefits under the New GI Bill are not authorized to receive ACES benefits, and conversely, those receiving ACES benefits cannot at the same time receive benefits under the New GI Bill. Commissioned officers utilizing ACES tuition assistance incur a four year Selected Reserve obligation following the last class taken.

Another program which has proven itself in terms of enhancing the experience and quality of the Army National Guard officer corps is the Captains to Europe, Panama, and Korea Program. This program, now in its fifth year, continues to provide Army Guard officers with active Army experience in an overseas theater. Following either a one- to three-year tour of duty, the officer returns to the Army Guard with valuable experience. During FY 85, 80 officers participated. A total of 19 new officers entered the program and 26 returned to their Army Guard assignments. Department of the Army has recently revised the criteria for participation, allowing first lieutenants to apply. The change should increase participation, enabling the Army National Guard to utilize the 160 positions allocated for the program.

Full-time Support

Full-time support personnel in the Army National Guard at the end of FY 85 represented 63 percent of required full-time support. We are authorized 68 percent of requirements in FY 86. In FY 87, we are requesting an increase of 500 military technicians and 4,990 Active Guard/Reserve (AGR) personnel which will enable us to attain 76 percent of required strength.

The continued growth in full-time support is representative of the emphasis being placed on transforming the Army National Guard into a fully trained, fully equipped modern force capable of rapid mobilization and deployment. The full-time support force is the backbone of the Army National Guard. It supports the increased tempo of training by providing full-time personnel in units to plan, develop, coordinate and conduct required training. It supports the increased tempo in supply management, equipment maintenance, and administration by providing full-time trained and qualified personnel to perform and oversee these functions that are so critical to the achievement of high mobilization objectives placed on the Army National Guard. Some question whether these objectives can be realized by a force of part-time soldiers. Recent success indicates that the Army Guard can meet these objectives if adequate full-time support is provided. The 1985 General Accounting Office (GAO) report "Problems in Implementing the Army's Reserve Components Full-Time Manning Program" recognized that the overall impression in the field is that units are more capable of mission accomplishment because of increased full-time support. Our FY 87 budget request was developed with these facts in mind.

To effectively and efficiently use these full-time assets, we have developed a plan that guides the utilization and positioning of full-time personnel. This plan is based on Congressional guidelines provided to us in 1982. We have found, through experience and analysis, that AGR personnel are better suited for providing full-time support to units, whereas, military technicians are best suited for employment in support activities, including headquarters, supply and maintenance. To derive maximum benefit from our full-time support force, there is a need to separate the functions of AGRs and technicians by aligning each to those responsibilities that are in concert with the purpose of each program. Quoting from the Conclusions and Recommendations of the aforementioned GAO report:

"In our opinion, mixing technicians and AGR personnel in troop units is not organizationally sound and detracts from effectiveness. Of the two alternatives, either all-technician or all-AGR, we believe that the all-AGR force is the preferred choice for the following reasons:

—It offers an immediate solution to the problem of technicians unable to deploy with their units, whereas the all-technician choice would only prolong the situation. (Applies to Army Reserve status-quo technicians only).

—Military pay and benefits, which are higher than comparable civilian pay scales, are a positive factor in the recruitment and retention of qualified personnel.

Finally, we believe that a technician support structure, protecting the rights of current technicians, can be developed along the lines of the National Guard Bureau's plan. This plan removes technician positions from deployable units and realigns them in headquarters, maintenance support elements, and other non-deployable organizations."

We have not implemented such a realignment because of a possible conflict with Congressional language prohibiting the movement of technician positions to support activities. We would like Congress to revise the language prohibiting the movement of technician positions and allow us to implement a mix of the force established by Congressional direction in 1982 and endorsed by the GAO in its report.

EQUIPPING THE GUARD

The leadership of the National Guard has often said, "If you will just give us the equipment, we will do the job". Congress, the Department of Defense, and the Department of Army have listened and modern high technology equipment is being provided to our units, much of it right off the assembly line. However, as of the end of FY 85, the Army National Guard was equipped with only 64 percent of the equipment it needs to go to war. Those who have suffered the rigors of battle know full well that units can fight successfully and that entire operations have been conducted with 64 percent of required equipment or less. However, our soldiers need and deserve a full issue of equipment and resources to accomplish their mission and survive on the modern battlefield. Even at full issue, they will be outnumbered and outgunned by our adversary. Our highest priority equipment shortfalls remain in air defense artillery, communications-electronics, aviation, field artillery, and medical equipment.

Ground Equipment

A proposal made in 1984 evolved into a final decision in May 1985 to accelerate modernization of the Army National Guard armor force. By the middle of FY 91, the Army Guard will be totally equipped with M1 Abrams tanks and M60A3 TTS (Tank Thermal Sight) tanks. Once the decision to modernize our armor force was made, we were immediately faced with the challenge of creating, manning, and equipping the first of two M60A3 Displaced Equipment Training (DET) sites to handle the monumental task of training more than 2,900 tank crews over a four year period. To date, that challenge has been met. The initial DET site at Gowen Field, Idaho, was fully operational in December 1985 with a total of six units scheduled for training between January and September 1986. The second DET site is scheduled to become fully operational at Camp Shelby, Mississippi in August 1986.

We are also scheduled to receive 315 Bradley Fighting Vehicles (BFV) and 570 Improved TOW Vehicles (ITV) by FY 91. As of the end of FY 85, 71 BFVs and 247 ITVs have been delivered to the Army Guard. New Equipment Training (NET) is scheduled with the fielding of these systems in the receiving units, many of which are also receiving modernized tanks.

The Army National Guard has three field artillery modernization goals: first, increase the capabilities of firing units by replacing or modernizing old weapons systems; second, automate the fire direction capabilities of all units; and third, optimize the fire support capabilities of units.

We have been successful in automating our fire direction capabilities. We are moving along in fielding the battery computer system (BCS); however, at the current rate, fielding will not be completed until FY 92. The Backup Computer System (BUCS), a hand held computer which is designed to backup the BCS in cases of power failure, has been fielded to all field artillery units. This system, although designed as a backup system, is now the primary automated means of fire direction in a majority of our units until the BCS is completely fielded in the Army Guard.

Modernization of artillery weapons systems continues to be a challenge. It was anticipated that all M-114 series (pre-Korean War vintage) 155mm howitzers would be replaced by the M-198 (155mm) howitzer in general support units. Infantry division direct support artillery units, currently equipped with 105mm howitzers, would also receive the M-198. Funding limitations will require M-114 retention in the force for an indefinite period of time. The M-109 series 155mm self-propelled howitzers are still projected for fielding, reducing the current shortage by FY 92. Additional howitzers may become available through displacement from the active component if the Multiple Launch Rocket System (MLRS) procurement program continues. One corps level MLRS battalion is currently scheduled for fielding in the Army National Guard. MLRS is projected as the general support weapon in all divisions except the light infantry. Currently, MLRS fielding is not scheduled for any of our divisions. Therefore, nine Army Guard divisions will not be as capable as Active Component divisions. Procurement by Department of Army of the British Light Gun (BLG) L-119 (105mm) is scheduled to begin in FY 87. The L-119 howitzer is projected for fielding to the units in our light infantry division and separate infantry brigades.

Modernization of fire support has shown the least progress in the overall modernization of field artillery, although we have had tremendous improvement in units which have received the Fire Support Team Vehicle (FISTV). The FISTV provides the capability to direct high performance aircraft and laser guided munitions to a point target. We have developed a program integrating Army and Air Force fire support in live fire training exercises. Lack of additional fire support equipment hinders our total capability to optimumly utilize fire direction and howitzers. Fire support equipment, automated fire direction, and modern weapons systems such as the M-198 and MLRS are the key to an effective artillery force.

Department of the Army distributed equipment worth $1.4 billion to the Army National Guard in FY 85. This included such major systems as the M1 tank, BFV, ITV, Commercial Utility Cargo Vehicle (CUCV), M-939 5 ton cargo truck, M-198 howitzer, BCS, and Roland Air Defense System. HQDA projects equipment deliveries to the Army Guard worth $1.4 billion in FY 86 and $1.7 billion in FY 87. In addition to follow-on deliveries of the above mentioned major systems, FY 86 and FY 87 deliveries will include the M60A3 TTS tank, High Mobility Multipurpose Wheeled Vehicle (HMMWV), FISTV, Heavy Expanded Mobility Tactical Truck (HEMTT), and Chaparral. HQDA procured $1.4 billion worth of equipment for the Army Guard in FY 85 and projects procurement of equipment worth $1.1 billion in FY 86 and $825 million in FY 87. Delivery timeframe for this equipment will be FY 86-90.

In support of Army National Guard equipment procurement, Congress has provided a separate appropriation to support procurement of miscellaneous equipment yearly beginning in FY 82. The $350 million appropriated from FY 82 through FY 85 has been used to improve near term readiness in early deploying Army Guard units. In FY 86, Congress provided a separate appropriation of $531.8 million for procurement of equipment. This appropriation includes funding for Chaparral fire systems, ITV conversion kits, M-198 towed howitzers, nonsystem training devices, a truck service life extension program, and $333 million for miscellaneous equipment. We plan to utilize the miscellaneous equipment funds to procure communications equipment, armored personnel carriers, 5 ton cargo trucks, M-198 towed howitzers, ITV conversion kits, command post carriers, well drilling machines, tank and pump units, bridge erection boats, laundry units, bridge transporters, and for projects which will facilitate the delivery, storage, training, and maintenance to fully utilize new equipment the Army Guard has received.

Aviation Equipment

In FY 86, the Army National Guard has a requirement for 484 attack aircraft. Our inventory at the end of FY 85 included 122 TOW missile equipped AH-1S Cobras and 214 UH-1M (Vietnam era) attack helicopters which have limited anti-armor capability. Of the 122 AH-1S Cobra/TOW models, 41 are fully modernized production aircraft procured for the Army Guard through Congressional initiatives with the balance composed of displaced Active Component aircraft. During FY 86, 11 more fully modernized AH-1S Cobra/TOW models, procured as a result of Congressional initiatives in FY 83, will enter our inventory as well as 31 displaced AH-1S Cobra/TOW aircraft, resulting from fielding of the AH-64 Apache in the Active Component. Congress initiated a program in FY 84 to modify 87 Army Guard AH-1G aircraft to the AH-1S Cobra/TOW configuration by providing funding for reconfiguration of the first 29 AH-1Gs. Funding for reconfiguration of the second 29 AH-1Gs was provided in FY 85. Delivery of 18 of these reconfigured aircraft is scheduled for FY 86. Thus, a total of 60 AH-1S Cobra/TOW models will be fielded in the Army Guard in FY 86, increasing the total in our inventory to 182.

Our attack helicopter requirements increase to 580 in FY 87 due to Army National Guard aviation force structure changes. A total of 109 AH-1S Cobra/TOW models are projected for fielding in FY 87, of which 40 will be reconfigured AH-1Gs. Congress directed procurement of 18 AH-64 helicopters for the Army Guard from Department of Army appropriations in FY 85. The first battalion of AH-64 Apache helicopters will be fielded in the North Carolina Army National Guard in FY 87. A second battalion of AH-64s is projected for fielding in the South Carolina Army National Guard.

Fielding of UH-60 Blackhawk helicopters was initiated in the Army Guard with delivery of 4 aircraft to aviation maintenance units in Ohio and Kentucky in FY 83. Modernization of our utility helicopter fleet continues in FY 86 when 22 UH-60s will be added to our inventory, 8 of which were procured as a result of FY 85 Congressional action. These aircraft will be fielded to units in Alaska, Kentucky, Oklahoma, and Virginia. Fifteen UH-60s are projected for fielding in the Army Guard in FY 87 to units in Kentucky and Virginia. At the end of FY 87, we will have a total of 41 UH-60s on hand against a total requirement of 91.

Our medium lift helicopter capability has been enhanced by the addition of 11 CH-47C aircraft procured from the Italian Agusta Aircraft Company as a result of FY 85 Congressional action. These aircraft have been converted to United States standards and incorporate state-of-the-art technology which will improve mission capability.

Six C-12 administrative support fixed wing aircraft, procured for the Army Guard by Congress in FY 85, are scheduled for delivery beginning in FY 86. Acquisition, through competitive procedures, of 6 additional C-12 aircraft was directed by Congress for the Army Guard in FY 86. The addition of these aircraft will increase our total C-12 inventory to 24.

Air Defense Equipment

The Army National Guard is currently organized with seven battalions of Korean War vintage M42 (Duster) Air Defense Artillery (ADA) and one Chaparral battalion supporting eight Army Guard divisions. Additionally, we have one U.S. Roland battalion, a corps level unit that is the only unit of its type in the Total Force. The present force modernization plan replaces our Duster units during the period FY 86-91. Three of our Duster battalions will convert to Chaparral organizations. The ARNG will then have a total of four Chaparral battalions. The remaining Duster units will be reorganized as modern ADA equipment becomes available. Our ADA force will increase in the future with the activation of six divisional battalions, two units for the newest Army Guard divisions and four units to provide replacement for the Chaparral units which will become corps level battalions. By the mid 1990s, the Army Guard ADA force will consist of ten divisional ADA battalions, six Chaparral battalions, and three Hawk battalions. Existing requirements for activation and equipping of ADA units for our Armored Cavalry Regiments and separate brigades will remain for the forseeable future.

In the future, the Army National Guard will receive air defense systems under development and command/control sensors which parallel the Army ADA design. All of our divisional ADA units will eventually be fielded with new ADA systems. Modernization of our air defense capability continues to be our highest priority.

Communications-Electronics Equipment

In May 1985, Texas' 49th Armored Division's signal battalion was the first Army National Guard divisional signal battalion to receive the modern multichannel Army Tactical Area Communications Systems (ATACS). ATACS systems were procured with funds made available by Congress for communications equipment in the late 1970s. After receiving this equipment in May, the signal battalion supported the entire division with reliable, effective, and secure communications during annual training 85. Two more Army Guard divisional signal battalions will receive ATACS in FY 86 with our remaining signal battalions programmed to receive ATACS by the end of FY 87.

Battlefield Communications Review places Army Guard divisional signal battalions and corps Mobile Subscriber Equipment (MSE) battalions in position to be fielded MSE at the same time as the active units with which they are aligned for combat. This will result in greatly improved interoperability, capability, and compatibility of equipment.

Future Army Guard communications-electronics modernization must provide flexible, secure, and reliable communications for our commanders in order to meet the increased mobility and lethality which will occur on tomorrow's battlefield. Each year that Congress has provided dedicated equipment appropriations to the Army National Guard, we have utilized a significant portion of those funds to improve our communications-electronics equipment and readiness.

Organizational Clothing and Equipment

The Organizationl Clothing and Equipment (OCE) program has improved over the last two years. Overall, the most significant area of concern is Chemical Defense Equipment (CDE). The Army Guard has 436,000 Chemical Protective Overgarments (CPO). The CPO will eventually be used for training as they are replaced with the camouflage Battle Dress Overgarments (BDO). We had approximately 140,000 contingency sets of BDO on hand at the end of FY 85 and are scheduled to receive 160,000 more in FY 86. Our goal is to be able to provide one training set and one contingency set of CDE to each member of the Army National Guard.

OCE is undergoing modernization with new items/systems being fielded and others under development. The fielding of the Personnel Armor System, Ground Troop (PASGT) helmet is in progress. By the end of FY 86, we are scheduled to have on hand 212,000 helmets, receive 215,000 more in FY 87, and the remainder in FY 88. Fielding of the Combat Vehicle Crewman's (CVC) ensemble begins in FY 87 in much the same manner as any major end item of equipment. The fielding will take place over a three year period with the initial 14,500 sets scheduled for fielding in the Army National Guard in FY 87. These sets include body armor, coveralls, gloves, hood, balaclava, and jacket and are intended to provide essential flame, thermal, and wind protection and increased battlefield survivability.

Overall OCE shortfalls are programed to be reduced from $434.3 million at the end of FY 85 to $102.4 million at the end of FY 87.

Repair Parts

Army National Guard repair parts requirements reflect maintenance costs directly related to the age of the equipment, increased quantities of new and complex equipment, and equipment deterioration caused by increased usage to support year around training programs. FY 85 funding for repair parts of $174.9 million provided an increase of $58.1 million above the FY 84 funded level. This increase significantly enhanced our materiel readiness through increased stockage of repair parts at units in the form of combat prescribed load lists (CPLL). In addition, FY 85 funding was used to replace authorized stockage list (ASL) items depleted to almost zero balance during FY 84. FY 86 funding will decrease repair parts related maintenance backlogs in all of our maintenance shops, ensuring that adequate quantities of repair parts are available to sustain day to day maintenance operations. However, shortfalls will continue in FY 86 due to significant increases in the Army Guard equipment inventory. Requested funding for repair parts in FY 87 of $236.5 million will provide an increase of $7.2 million above the FY 86 level. The most significant improvements will be realized in increased stockage levels of CPLL and ASL repair parts and will fully support day to day operational and materiel readiness goals.

Depot Maintenance

Requested funding for our depot maintenance program fully supports FY 87 overhaul requirements. A series of depot maintenance programs designed to upgrade the condition of our equipment, providing better mission capability, will continue through FY 87. Major overhauls are scheduled for aircraft, combat vehicles, missiles, trucks and other surface equipment that should improve our equipment readiness. Our rustproofing and rust repair program, designed to improve the condition of truck bodies and chassis, extending the life of tactical wheeled vehicles, will be funded at approximately $3 million. Significant aviation depot maintenance activities are planned in FY 87 which will provide increased reliability and sustainability of Army Guard aircraft and enhance the readiness of aviation units . We have scheduled induction of 86 UH-1, 2 AH-1, and 19 OH-58 aircraft into Corpus Christi Army Depot for overhaul in FY 87. In addition, 3 CH-54s are scheduled for induction into a sustainment maintenance program at a contractor's site in FY 87.

The Army National Guard depot maintenance program is one of the keys to continued improvement of our materiel readiness. This program provides the opportunity to maintain and sustain older equipment currently in our inventory at the highest possible levels of serviceability until new equipment is issued.

Military Construction/Facilities

Our construction and base operations programs are undergoing evolutionary changes, becoming more responsive to increased reliance on the Army National Guard for new missions. Key actions taken by the FY 86 Military Construction (MILCON) program demonstrate this more positive approach. They include construction of a Regional Training Center at Fort Dix, New Jersey which will serve as the prototype training facility for developing battalion, brigade, and division headquarters staff command expertise and sustaining individual soldier's skills; new ranges at Camp Ripley, Minnesota, for winter training; and new combat equipment storage and maintenance sites for expanded unit training in Michigan and Texas. Our FY 87 construction program concentrates on armory construction for the stationing and command functions for the reactivated 29th Infantry Division (Light). Additionally, we plan to construct an academic building for the Reserve Component Tank Commanders Course (RCTCC) at Gowen Field, Idaho. The construction of automated rifle ranges in Michigan will permit increased numbers of soldiers to master and sustain marksmanship skills during annual training periods. This commitment to improve our training facilities is also carried through to our armory modernization and replacement program by expanding the functional areas necessary to support home station training. New armories will have more classroom space, areas for training and sustaining vehicle maintenance skills, and space for storage and safeguarding unit supplies and equipment which is sorely lacking in our older armories. These changes result in more complexly designed buildings entering our facilities inventory. As the facilities become larger and more complex, the total cost and the unit cost of construction continue to increase.

For the first time in FY 85, direct funding was applied to our Backlog of Maintenance and Repair (BMAR). The reduction of $17 million resulted in a BMAR level of $42.2 million at the end of FY 85. Based on programed funding, we will meet the Congressionally mandated BMAR level of $15.0 million in FY 89.

Maintenance and repair of state-owned/operated armories, for which states are 100 percent responsible, has not kept pace with current requirements. This is due, in part, to revised priorities at state level for expanded non-military programs which compete for available state funds and to reduced Federal funding for non-military state programs. Congressional concern with the physical condition of these armories and work space for additional federal employees being assigned due to the increase in federal missions led the Congress to add $33.0 million to our operation and maintenance appropriation in FY 86. This increase will assist the states in supporting Army National Guard personnel working in 100 percent state supported armories. It will help defray utility costs, maintenance and repair costs and modifications to work areas occupied by federal employees. Major repairs such as roofs and boilers will be accomplished with the federal funding assistance to aid the states in capital outlay areas.

TRAINING THE GUARD

Some people still perceive Army National Guard training as meeting one weekend per month in an armory and two weeks each summer for nearby field training. Today's Army Guard is far removed from that old image. We are training units and leaders as we have never previously trained. We are raising the level of training because there will be no time after mobilization to do it. Our soldiers consider themselves professional and desire to play a key role in the execution of national security. As these highly motivated soldiers participate in meaningful and realistic training, extending their skills and stamina, it is gratifying to see their pride of accomplishment in what others have said could not be done by Guard soldiers. These are the men and women who come into the National Guard and "stick with it." Training is our best recruiter and retainer.

Unit Training

One of the most significant recent successes in ARNG training has been progress toward our goal of "training-up"—units training at the level at which they are organized, i.e., divisions training at division level, brigade training at brigade level, battalions training at battalion/task force level, etc. During Annual Training (AT) 1985, the 49th Armored Division, Texas Army National Guard, became the third Army Guard division in two years to train as a fully deployed division in the field. The 49th Armored Division successfully executed an ambitious, aggressive AT plan at the division level. The 49th Armored Division thus joined the 1984 lead of California's 40th Infantry Division (Mechanized) and Indiana/Michigan's 38th Infantry Division in achieving the goal of "training up" to the level of organization. These examples of division level training reflect the overall general trend of all units to train at higher levels now as compared to previous years. This trend is so prevalent, and our advocacy so strong, that we have worked with Headquarters U.S. Army Forces Command to revise AT evaluation reports so that they encourage higher levels of unit training.

Another example of "training up" involves our 91 nuclear capable field artillery units. Administration of a nuclear qualification Army Training and Evaluation Program (ARTEP) evaluation is required every three years. FY 85 was the final year of the first three year cycle. In order to successfully complete a nuclear qualification ARTEP evaluation, units must conduct a minimum of 80 percent of their fire delivery tasks while maintaining a 70 percent or better operational readiness in personnel and equipment. Each nuclear capable unit must complete all nuclear level tasks. During the 50 continuous hours of field operations required to conduct the evaluation, a unit must conduct a minimum of five tactical moves of at least five kilometers each. Two of those moves must be at night. Eighty-seven (96 percent) Army Guard field artillery units have successfully completed the nuclear qualification evaluation over the three year period.

Participation by Army Guard combat battalions in training at the National Training Center (NTC) reached its highest level since inception of our training there in FY 83. Five roundout battalions trained with their affiliated active component units at what is unquestionably the Free World's finest combat maneuver training center. Although by strict design no formal evaluation of NTC training is published, indicators are that our units' performance has been very satisfactory, and in some cases exemplary. Force modernization actions will reduce our participation to two battalions each year in FY 86 and FY 87.

We also receive significant benefits from NTC's Leader Training Program, which focuses intensively upon training the chain-of-command from company to brigade level. Fourteen of our combat units participated in this dynamic training in FY 85, and fourteen more are scheduled for participation in FY 86.

The Army CAPSTONE Program continues to be fundamentally important to the Army National Guard. CAPSTONE provides a specific post-mobilization mission, including a post-mobilization organizational structure, to which our units are now able to give definitive direction for their planning and training efforts. Before CAPSTONE, units were required to plan and train for all generic missions, i.e., combat units train for all combat missions, military police units train for all military police missions, etc. As CAPSTONE matures, however, and coordination between our units and their CAPSTONE post-mobilization chain of command becomes more detailed, units receive detailed, clearly defined mission assignments. Thus, the infantry unit, instead of training for all infantry missions, can now direct its planning and training toward its CAPSTONE mission of defending a specific piece of terrain in a preassigned specific wartime area. Another manifestation of the CAPSTONE program finds many Army Guard headquarters assigned primary responsibility for writing portions of, and in some cases, all of the forward deployed corps and theater level war plans. This facet of CAPSTONE development typifies the degree of active/reserve component integration achieved under CAPSTONE.

Another manifestation of the higher level of ARNG training is the dramatic increase in both the size and the nature of ARNG participation in Joint Chiefs of Staff (JCS) and Army Major Command (MACOM) exercises. Just three years ago, only 103 Army Guard units and unit cells participated in JCS/MACOM exercises, and only a handful of those shipped equipment to the exercise location. In 1985, the number increased to 390 units and unit cells participating in exercises in every Army theater, including units shipping equipment to Europe, Latin America, Korea, Alaska, North Africa, and Southwest Asia, units drawing POMCUS (Prepositioning of Materiel Configured in Unit Sets), and units charged with primary exercise planning, coordination, control, and support responsibilities. The trend of an increased Army Guard role in JCS/MACOM exercises accelerates in 1986 when Wisconsin's 32d Infantry (Mechanized) Brigade (Separate) deployed with all its personnel and equipment to REFORGER 86, marking the first peacetime overseas deployment of an entire Army National Guard combat brigade. In fact, 1986 is a benchmark year in exercises for our units. In 1986, Army National Guard combat units of battalion size or larger will deploy with personnel and equipment to Germany, Korea, Panama, and Italy. This will be the first time that our combat forces have been deployed with equipment to all of those countries in a single training year. This significant occurrence graphically illustrates the increased role and higher levels of training attained by the Army National Guard.

While the 32d Infantry (Mechanized) Brigade (Separate) was the largest single Army Guard organization participating in the winter REFORGER 86, 119 other Army Guard units and unit cells also participated. One engineer battalion and two medical companies drew equipment from POMCUS stocks, a signal brigade and an infantry (anti-tank missile) battalion joined 10 other combat, combat support and combat service support units in shipping their equipment, while the remaining units used equipment borrowed from or shared with their Active Component sponsor.

TEAM SPIRIT 86 in Korea marks the largest involvement yet of our units in that major joint exercise series. One hundred and forty-six Army Guard units and unit cells, including 16 combat, combat support, and combat service support units scattered from Oregon to Alabama, will ship their equipment and deploy to Korea for the Free World's largest joint combined exercise.

Not only is the size of our contingent significant, but TEAM SPIRIT 86 also carries a particular historical significance to both the Army National Guard and the Republic of Korea. A mechanized infantry battalion, reinforced by a tank company and a combat engineer platoon, from California's 40th Infantry Division (Mechanized), will be the Army Guard combat element deploying its personnel and equipment for the exercise. This marks the first return of a major combat element of the 40th Division to Korea since that division's participation in the Korean War. The 1st Battalion (Mechanized), 184th Infantry, now part of the 40th Infantry Division (Mechanized), was attached to the 7th Infantry Division as part of the Korean occupation force at the end of World War II.

North Carolina's 30th Infantry (Mechanized) Brigade (Separate) will deploy a battalion task force with personnel and equipment to Italy during DISPLAY DETERMINATION 86. The deployment of the task force is the second iteration of what is now a biennial participation by the 30th Brigade in this NATO deployment exercise. A total of 34 Army Guard units, consisting of the 30th Infantry (Mechanized) Brigade and its supporting CAPSTONE trace, will participate in DISPLAY DETERMINATION 86.

GALLANT EAGLE 86, a major Third U.S. Army field training exercise will be conducted in southern California during FY 86, involving almost 3,500 Army Guard personnel in 42 combat service support units and unit cells. Our units will provide logistical support to the participating Active Component maneuver units of Third Army.

BLAZING TRAILS is the umbrella title for all Reserve Component engineer exercises conducted in Latin America. During 1985, 12,200 Army Guard personnel in units and unit cells conducted engineer and logistical support training in Panama. Two engineer battalions' and the equivalent of one support battalion's equipment were shipped to Panama and used by a variety of units conducting 2 week rotations throughout the 5 month exercise. In 1986, 6000 ARNG personnel will conduct engineer and support training in both Honduras and Panama, shipping heavy engineer and support equipment by U.S. Navy sealift.

The Army National Guard Overseas Deployment Training (ODT) program experienced substantial growth in size and significance during 1985, growing to 25,717 personnel in 865 units and unit cells training in 44 countries around the world. We anticipate continued growth in 1986, with nearly 26,000 personnel in over 1,100 units and unit cells currently scheduled to conduct ODT. Those numbers will climb as plans for increased training opportunities in Central and South America, the Caribbean, and the Pacific Basin reach fruition.

Individual Training

The Key Personnel Upgrade Program (KPUP) continues to pay high dividends for our soldiers by providing them an opportunity to practice their military specialties with Active Component units in nearly every Army exercise. KPUP was expanded in 1985 with the advent of centrally-managed KPUP programs. These programs, which expanded the KPUP program to overseas commands, were established for: (1) Medical KPUP to Europe, training over 200 doctors and nurses in exercises in Germany, Italy, and Belgium; (2) Chaplains KPUP to Europe, training 36 ARNG chaplains with Active Component units in Germany; (3) REFORGER KPUP, training 496 personnel with Active Component units playing in the REFORGER exercise in Germany; (4) TEAM SPIRIT KPUP, training 164 personnel with Active Component units in Korea; (5) Signal KPUP to Korea, training 125 ARNG soldiers holding signal military occupational specialties with Active Component units in Korea; (6) Combat and Support Skills KPUP to Europe, training 548 personnel with Active Component units throughout Europe; and (7) Combat and Support Skills KPUP to Korea, training 110 ARNG soldiers with Active Component units throughout Korea. Since these programs were established in 1985, we anticipate they will experience the same exponential growth characteristic of the overall KPUP program.

Another notable expansion of KPUP in 1985 involved participation by Army Guard soldiers with Active Component units at the NTC. In 1985, over 2,500 of our personnel gained valuable experience alongside Active Component unit members at that outstanding facility.

NCO Education and Training

Non-commissioned officers (NCO) are the key element in training soldiers for combat and leading them into battle. In order to ensure that NCOs are professionally competent and can fulfill their mission, we have dedicated extensive resources to provide innovative training opportunities for individual improvement to our NCOs and NCO candidates within the Reserve Component Non-Commissioned Officer Education System (RCNCOES). Included in RCNCOES are the Primary Leadership Development Course, Advanced NCO Course, Senior NCO Course, and the First Sergeants Course. These courses are available to all drilling Army Guard personnel, in addition to similar Active Component courses, and are oriented toward professional development of the NCO and leadership skills.

More than 33,000 Army Guard soldiers graduated from RCNCOES courses in FY 85, greatly exceeding estimated attendance. Our FY 86 goal is to graduate 35,000 personnel. Current participation indicates that we will exceed our goal by approximately 5,000. This reflects a growth of approximately 600 percent in the RCNCOES program since its inception in FY 80 with the growth continuing in FY 87 and beyond.

Current tactical doctrine recognizes the high mobility and fluid nature of the modern battlefield. Lessons learned throughout history have pointed out that all soldiers must be prepared to fight as infantrymen and be able to survive under adverse conditions found on the battlefield. Even though soldiers receive combat training early in their careers, these skills may suffer erosion due to doctrinal changes and addition of modernized equipment systems as they pursue MOS development. The Army National Guard Battle Skills Course (BSC) was developed to sustain combat skills among our NCOs and to better prepare them to lead and teach subordinates. It provides essential performance-oriented training, reinforcing previous training for some students while providing initial combat skills training for others. BSC addresses the technical aspects and tactical employment of infantry squad and platoon weapons systems, live familiarization firing with each of the weapons systems, the use of supporting weapons systems available to the infantry squad or platoon, and battlefield survival techniques. BSC is a 15 day course conducted at Camp Robinson, Arkansas, 17 times a year and is open to all enlisted Army Guard members who are sergeants (E5 or higher), regardless of their military assignment. More than 2,300 of our soldiers have graduated from BSC since its inception in FY 84. We expect 2,500 soldiers to graduate in FY 86 and approximately 3,000 more in FY 87.

The Reserve Component Tank Commander's Course (RCTCC) is conducted at Gowen Field, Idaho. It is a two week program that was initiated in FY 84 to train NCOs in the duties of tank commander. It provides tank commanders with the training required for instructing crew drills and basic armor skills to their tank crews. Over 1,200 soldiers have graduated from RCTCC and we expect to continue graduating approximately 800 students from this program annually. This course is considered by the armor community as the finest tank commander's training being conducted in the Army today.

RCNCOES, BSC, and RCTCC were all developed with the objective of providing essential training opportunities for citizen soldiers who do not have the luxury of being able to leave their civilian jobs for extended periods. We have set professional standards for our full-time force which are the same as their Active Component counterparts. To accomplish this self-imposed standard, we developed a Military Education Program (MEP) for our Active Guard/Reserve (AGR) and military technician personnel. In most instances, MEP requires personnel to attend courses conducted at Army service schools at an appropriate time in their career. AGR personnel must fulfill MEP requirements as a prerequisite for continued employment and military technician personnel will be denied military promotions until they have successfully completed the required training. In addition to the military training aspect of MEP, the majority of AGR and military technician personnel have an additional requirement to complete job-related proponency courses conducted at the National Guard Bureau's Professional Education Center, Camp Robinson, Arkansas. Full-time support personnel are valuable and integral members of their units. They have been instrumental in improved unit readiness, quicker deployability, and providing quality leadership in their units. To lessen the standard contained in the MEP would result in a less effective and ready Army National Guard. Participation in MEP and proponency courses will ensure that our full-time force will continue to provide the competency expected of professional soldiers and will assure improved readiness throughout the Army National Guard.

Aviation Training

Throughout the past decade, new training requirements such as instrument qualification, terrain flying, aerial gunnery, and night tactics have been added to previous requirements for Army Guard aviators and units without the corresponding means of accomplishing them. In addition, increased reliance on Army Guard aviation, as part of the Total Force, and significant increases in our associated aviation force structure have occurred. In an effort to reduce the current and projected aviator training workload of the states and territories, we have developed two centralized Army National Guard Aviation Training Sites (AATS). Training offered at the AATS will produce combat ready aviators while allowing the states to concentrate on unit level training. The Eastern AATS, located at Ft. Indiantown Gap, Pennsylvania, emphasizes individual qualification training in both fixed wing and rotary wing aircraft unique to the Army National Guard. A UH-1 Flight Simulator is operated there accruing annually in excess of 7,000 hours and serving nearly 1,100 Army Guard, Army Reserve, and Active Army aviators per year. In FY 85, the Eastern AATS trained in excess of 550 students in 30 different courses and graduated its 1,000th student since becoming operational in August, 1981. The Western AATS, currently under construction in Marana, Arizona, will provide not only individual qualification training in rotary wing aircraft unique to the Army National Guard, but will also conduct AH-1 training. Training will begin in the latter part of FY 87 and is expected to reach capacity in FY 88. Both the Eastern and Western AATS will operate an AH-1 Flight Weapons Simulator in FY 88 that will serve the regional needs of approximately 500 attack helicopter aviators. The types and quantities of courses offered at the AATS focus on the resource intense training requirements that are costly in terms of manpower, terrain, and time at the state level. Through utilization of the AATS, more time will be available for unit level training during scheduled drills and annual training periods.

We have established an intensive night vision goggle (NVG) training program to meet aviation mission requirements. This training requires not only specific flight training but specialized equipment. The Aviator's Night Vision Imaging System (ANVIS) has been designed to help the aviator meet this essential mission requirement. It is necessary that the Army National Guard receive ANVIS in the near future for our aviation units to increase operational capability, cockpit compatibility, safety and reliability. We are in the fourth year of an eight year NVG qualification training program. This program requires the qualification of all of our rotary wing aviators by FY 87 and maintenance of proficiency for aviators assigned to tactical units. This training is being accomplished commensurate with the availability of resources required to conduct NVG training. To date, 48 percent of our aviators have been trained with NVGs without an aircraft accident. At the conclusion of this program, our tactical aviation units will have a 24-hour day/night mission capability.

The Department of Defense in 1964 authorized a maximum of 24 paid additional flight training periods (AFTP) annually for each Army Guard aviator in addition to the 48 assemblies conducted by the individual's unit. The greater complexity of aircraft, increased exposure to hazards, and associated demands upon the aviator's time have increased significantly since that time. The original intent of the AFTP program was to enhance aviator proficiency through increased opportunity to fly, thereby enhancing safety. Today, the AFTP program has also become essential to acquire and maintain the combat readiness of Army Guard tactical aviation units. To ensure the attainment of a satisfactory degree of combat effectiveness within Army National Guard aviation units, the Army has prescribed aircrew training and readiness standards through the Aircrew Training Program. This has resulted in a significant increase in training requirements and flight hours without a corresponding increase in available training time. The need for increased AFTPs for Army National Guard aircrews has been recognized and supported by the Assistant Secretary of Defense for Reserve Affairs. An increase in AFTPs, beginning in FY 86, will enhance the attainment and sustainment of Army Guard aviator crew member skills through increased opportunities to participate in tactical training. AFTPs have been increased proportionally to aircrew combat training requirements, based upon the mission of the aircraft being flown, and will enhance sustained year-around combat readiness in Army Guard tactical aviation units.

Safety

We constantly train in a dangerous environment. Emphasis on safety in training has come to the forefront in all that we do. It is essential that our commanders, at every level, exercise supervision and awareness to ensure that very dangerous training situations to which our soldiers are being exposed are conducted as safely as possible.

Our aviation accident rate decreased from 2.58 accidents per 100,000 flying hours in FY 84 to 1.53 in FY 85. Human error on the part of commanders, supervisors, maintenance personnel, and aircrews continued to be the major factor in these accidents. Individual accountability at all levels, intensive management of aviation safety school quotas, expansion of training programs, analysis of preliminary reports of aircraft mishaps, the OPERATION SAFEFLIGHT Program, and quarterly aircraft accident review and trend analysis videotapes are major elements in the countermeasure program developed to further the aviation accident prevention program.

During FY 85, we experienced a 13 percent reduction in motor vehicle accidents from the FY 84 level with a rate of 1.60 accidents per one million miles of exposure. A 28 percent reduction was achieved in Army combat vehicle accidents. Non-fatal injuries sustained were reduced 15 percent from FY 84; however, fatal injuries increased 45 percent. To enhance the accident prevention program, we directed our units to designate one of our full-time support personnel as a unit safety assistant. We also developed and fielded a unit safety officer/NCO training course. This training course covers such subjects as Army motor vehicle safety, accident causation, accident investigation and reporting, range safety, weapons and munitions safety, and shop safety as well as off duty/recreation safety. In addition, a national safety awareness program has been distributed to all of our units. The FY 85 program, entitled Operation Safe Guard V - "Be in Control", was targeted at reducing the human error factor through by-the-book operations and emphasis on personal awareness and supervisory responsibilities. Our analysis indicates a 12 percent reduction in FY 85 accident frequency from that experienced in FY 84.

Training Support

We have developed a strategy to improve training opportunities and effectiveness during Inactive Duty Training (IDT), thus enhancing training and improving unit readiness. The "Interlocking Training Strategy" provides the cross-walk from platoon through company to battalion level training outlined as follows:

a. Armory/Garrison training areas employ training devices and simulation exercises to provide training through platoon level.

b. Local training areas are developed to provide training through company level on modern, state-of-the-art equipment/devices to include company and team combined arms live fire exercises or their subcaliber and/or Multiple Integrated Laser Engagement System (MILES) equivalent.

c. Major training areas, normally Annual Training (AT) locations, are devoted to the support of battalion/task force maneuver and combined arms live fire training exercises.

To support our "Interlocking Training Strategy", a full complement of training devices, simulators, and simulations are essential. This becomes critical in light of the unprecedented integration of modern weapons systems and the increased reliance upon Reserve Component units for war time missions. The FY 86 budget reflects a $37 million commitment by the Department of Army to provide the Army National Guard with technologically advanced state-of-the-art training devices. Procurement of 192 platoon sets of MILES equipment for each of our maneuver battalions is scheduled. Additional devices such as the Tank Gunnery Missile Tracking Systems (103 total), the Dragon Launch Effects Simulators, Stinger Launch Simulators, maintenance trainers, and chemical detector trainers are scheduled for procurement as part of the $37 million package. Congress provided an additional dedicated appropriation of $50 million for Non-System Training Devices to the Army Guard in FY 86 which will be utilized to procure a second platoon set of MILES devices for 192 of our battalions, as well as Electronic Information Delivery Systems (EIDS), maintenance devices, and a Short Range Air Defense (SHORAD) Dome Trainer.

Congress also appropriated $5 million for research and development of Army Reserve Component unique training devices. These funds will be applied to the development of the training device initiative entitled Guard Unit Armory Full-Crew Interactive Simulation Trainer (GUARDFIST). The GUARDFIST initiative complements the "Interlocking Training Strategy" by providing full crew training at the armory/garrison training areas utilizing high technology, interactive video devices. Current initiatives include an armor device and an artillery device, dubbed GUARDFIST I and GUARDFIST II, respectively. Our tank modernization effort will provide the Mobile Conduct of Fire Trainers (MCOFT) for our units receiving the M1 and M60A3 tanks and the M2/M3 Bradley Fighting Vehicles. Deliveries begin in FY 86.

Another effort to improve IDT training involves the modernization, upgrade, and expansion of local training areas to offer the best opportunity for tactical training close to home. It is designed to maximize time, fuel, and ammunition while reducing materiel operating cost.

Coordination and development continue for a Regional Training Center (RTC), Regional Maintenance Training Sites (RMTS), and Regional Training Sites-Medical (RTS-MED). The RTC planned for Ft. Dix, New Jersey, will be a test-bed facility for developing combat arms, combat support, and combat service support soldier skills through a device-based training strategy. The RTC's battle simulation center will provide leader training at battalion, brigade, and division level. The RMTSs will be located in areas with a high density of non-divisional maintenance units. Pilot RMTSs are scheduled for Camp Shelby, Mississippi and Fort Bragg, North Carolina during FY 86. The RMTS will be the keystone in training for Reserve Component non-divisional maintenance personnel to repair current and modernized equipment. The RTS-MED will provide Army Guard medical units with complete sets of Deployable Medical Systems hospital equipment for training while affording standby emergency support to civil authorities in disaster scenarios. Army Guard medical units will deploy to the sites, draw hospital equipment, and perform training in a field environment. The two Army Guard locations, Camp Shelby, Mississippi and

Ft. Indiantown Gap, Pennsylvania, will be operational in FY 88 and FY 89, respectively.

READYING/MOBILIZING THE GUARD

The Army National Guard continues to receive higher priority missions and demanding deployment schedules. Since 1984, the number of Army Guard units with priority missions has increased by 25 percent to a level where 85 percent of our deployable units have such missions. This includes units that deploy from D-day to D+60 and others with high priority sustaining base, training base or theater defense missions. Consequently, it has become increasingly important that our units be manned, trained, equipped, and sustained at a level that will enable them to attain and maintain a combat deployable status.

In FY 85, overall Army Guard readiness, as measured by the Unit Status Report (USR), increased by 5 percent, reversing a downward trend which began three years ago. Indicative of this improved trend were increases in all resource areas: logistics, personnel, and training. In the personnel area, steady improvements were attained in military occupational skill qualification (MOSQ).

Although a positive trend is evident, critical areas impacting on overall readiness remain. Force structure changes and force modernization initiatives continue to impact on Equipment-On-Hand (EOH) and MOSQ. EOH is affected due to requirements to report readiness against new wartime requirements prior to equipment availability. Although the overall MOSQ trend is improving, it is also affected by equipment shortages which inhibit individual/collective training and MOSQ readiness improvements. The result of the changes has been a bias which suppresses readiness ratings reported on the USR.

To address this bias, we developed and disseminated a mandatory policy to manage instant unreadiness. This policy eliminated the reporting bias by providing for delaying effective dates of Table of Organization and Equipment (TOE) changes until adequate resources are available to support them. It also designated certain modernization equipment items nonreportable until resources are available at the minimum combat ready level of fill or until programmed fielding dates for the equipment, whichever is earlier.

In addition to the policy to manage instant unreadiness, we developed the Equipment Readiness Analysis (ERA) program. This computerized program enables us to better manage existing equipment assets by redistributing them throughout the command based upon readiness requirements, optimizing the use of available resources.

To ensure effective implementation of these readiness initiatives, we placed increased emphasis on State Readiness Committees, designed to identify readiness inhibitors and intensively manage corrective action.

These policies to improve readiness, combined with dedicated funding from Congress for procurement of equipment, promises long term positive improvements in readiness.

Although USRs provide an indication of a unit's resource level, the reports do not give a complete picture of combat capability. For example, an armor battalion receives M1 tanks as replacements for its M60s. This increased capability would not be reflected in its USR. In the past, there has been no systematic means for measuring, reporting, and monitoring changes in warfighting capability. As a result, a system called Measuring Improved Capabilities of Army Forces (MICAF) was developed.

MICAF is a computer model which measures the improvements in a unit's capability over time resulting from the receipt of new equipment and serves as a supplement to the USR to provide a bridge between equipment status and unit equipment potential. The MICAF 84 study results showed that warfighting capability for the eight Army National Guard combat divisions improved 20 percent from 1980-1984.

The MICAF 85 study, which also evaluated our separate brigades and Armored Cavalry Regiments (ACR), shows similar capability improvements. Results, though not finalized, indicate that warfighting capability for those same eight divisions, plus our 18 separate brigades and four ACRs, has improved approximately 21 percent from 1980-1985. The Active Component divisions which include Army National Guard roundout units showed even more impressive gains.

As our units are tasked with increasingly demanding missions and deployment dates, our efforts to improve their mobilization preparedness remain an extremely high priority. Over 50 Army Guard mobilization planners were trained at the new Mobilization and Deployment Planners Course at Fort Sam Houston, Texas in FY 85. Plans for FY 86 and FY 87 are to continue input to the course at that level. As our mobilization planning becomes more refined, our methods for exercising plans must also be improved. In that regard, in FY 85, over 600 mobilization exercises were conducted by the states. The exercises included high priority Army Guard units and State Area Commands. More than 150 of these exercises were conducted in conjunction with units participating in Overseas Deployment Training in Europe, Korea, and Latin America. In 1986, it is expected that 650-700 exercises will be conducted. In 1987, for the first time, funding should permit large scale involvement of our combat divisions and separate brigades in the exercise program.

SUMMARY

The Army National Guard of today is very different from the Guard of the past. Training demands and the responsible role played by the Guard in national security place a significant burden on its soldiers and their families. The soldiers are meeting the challenge, often through increased personal sacrifice. Our nation is benefitting from the contribution of our citizen-soldiers. The economies derived from a truly effective Army National Guard are felt across a wide spectrum of our society. All Americans are well served by the results.

ARMY NATIONAL GUARD BUDGET

NATIONAL GUARD PERSONNEL, ARMY

The FY 87 National Guard Personnel, Army (NGPA) budget request of $3,485 million provides pay and related expenses for Army National Guard personnel. Table 1 shows Army National Guard personnel paid end strengths. Table 2 shows NGPA funding by budget activity. The FY 87 request supports a paid end strength of 462,800 personnel. Our FY 87 recruiting objective of 101,099 accessions is composed of 50,835 Non-Prior Service (NPS) and 50,264 Prior Service (PS) personnel. The full-time military Active Guard/Reserve (AGR) support force increases to 28,721 (4,990 over FY 86). Funding requested for NGPA supports increases in: (1) the number of trainees in Pay Group F ($13 million); (2) participation in Schools and Special Training ($69 million); (3) AGR strength ($212 million); and (4) Education Benefits (the New GI Bill)($2 million). The Selected Reserve Incentive Program (SRIP) increases by $.5 million.

TABLE 1

US Army National Guard
(Paid End Strength)

	FY 85 ACTUAL	FY 86 ESTIMATE	FY 87 REQUEST
Pay Group A	388,310	397,395	405,960
Pay Group F	16,231	18,146	19,041
Pay Group P	14,352	11,224	9,098
Active Guard/Reserve (AGR)	21,059	23,731	28,721
Total	439,952	450,496	462,800

TABLE 2

National Guard Personnel, Army
($ in Millions)

	FY 85 ACTUAL	FY 86 ESTIMATE	FY 87 REQUEST
Pay Group A	1,596	1,715	1,709
Pay Group F	201	228	241
Pay Group P	19	18	15
School Training	133	170	207
Special Training	150	160	192
Administration/Support	767	906	1,121
Total Program*	2,866	3,196	3,485

*Totals may not add due to rounding

OPERATION AND MAINTENANCE, ARMY NATIONAL GUARD

The budget activities of the FY 87 Operation and Maintenance, Army National Guard (OMNG) appropriation are shown in Table 3. Real growth in FY 87 (approximately $56.3 million) is composed of: (1) $37.2 million to support an FY 86 Congressional increase in military technicians (2,500) and the FY 87 requested increase in military technicians (500); and (2) approximately $19 million to support the Standard Army Multi-Command Management Information System (STAMMIS). The FY 87 request supports a technician and civilian end strength of 27,553 (27,129 military technicians and 424 Department of Army Civilians) at a cost of $759 million. It provides operational and training support for a paid end strength of 462,800 Army National Guard personnel.

TABLE 3

Operation and Maintenance, Army National Guard
($ in Millions)

	FY 85 ACTUAL	FY 86 ESTIMATE	FY 87 REQUEST
Training Operations	160	177	177
Logistical Support	972	1,066	1,142
Base Operations	127	186	190
Depot Maintenance	47	82	67
Headquarters and Command Support	83	106	138
Recruiting	32	46	50
Medical Support	11	20	23
Total Program	1,432	1,683	1,787

MILITARY CONSTRUCTION, ARMY NATIONAL GUARD

The FY 87 request of $121 million for Military Construction, Army National Guard (MCNG) provides for 56 major projects. Included in the major projects are 16 new armories, alteration/expansion of 13 existing armories, 1 aviation facility, 17 training facilities, 7 equipment maintenance facilities, 1 U. S. Property and Fiscal Office facility, and 1 logistical facility. The requested increase for major construction supports the projects costing $400,000 and less for improved training ranges, storage, and smaller maintenance facilities. Table 4 displays the MCNG appropriation by major category.

TABLE 4

Military Construction, Army National Guard
($ in Millions)

	FY 85 ACTUAL	FY 86 ESTIMATE	FY 87 REQUEST
Major Construction	74	75	97
Minor Construction	16	15	5
Planning and Design	9	12	19
Total Program	99	102	121

STATEMENT OF MAJ. GEN. WILLIAM R. BERKMAN, CHIEF, ARMY RESERVE

General BERKMAN. Thank you, Mr. Chairman, members of the subcommittee. I do have a statement for the record that I request be included in the proceedings, and I do have some additional comments.

Mr. DARDEN. Without objection your statement will be included in the record.

General BERKMAN. I am pleased and honored to be here today on behalf of approximately 600,000 citizen-soldiers, men and women, who are contributing to our national security as members of the Army Reserve.

And today's Army Reserve is the best Army Reserve our Nation has ever had. It is more ready, better trained than it ever has been. It is better equipped, better led, and better managed than ever before. At the end of fiscal year 1985, there were nearly 270,000 members of the Army Reserve assigned to two program units. That number will go up by the end of fiscal year 1986, to approximately 285,000.

Incidentally, it is interesting that that is almost 100,000 more than the number in the troop program units of the Army Reserve in 1979. When you add more than 13,000 individual mobilization augmentees, who have mobilization assignments with Active component units, and 12,000 reservists in the Active Guard and Reserve Program, the total Selected Reserve approaches 311,000 by the end of fiscal year 1986.

The President's budget request will provide an increase in fiscal year 1987 of 14,000 paid drill strength, reaching 299,000 by the end of fiscal year 1987. If that request is supported, by the end of fiscal year 1987 it will bring up the total to close to 300,000, as I indicated, and close the gap between peacetime troop program unit strength and wartime requirements, to about 13,000.

The Army Reserve is attracting high-quality, young men and women into its troop program units. In 1985, almost 90 percent of the non-prior-service enlistees were high school graduates. Incidentally, 4 years ago, that figure was 48 percent. And, the U.S. Army Forces Command, which commands the Army Reserve troop program units, has been emphasizing retention throughout the chain of command.

As a result, the attrition rate has been declining and is expected to further decline in the coming year.

To attract high-quality, young men and women to the Army Reserve, we need to offer the variety of incentives which have been discussed here and to which Secretary Webb has alluded as well as the new GI bill. The bonus program pays a variable bonus to persons enlisting in certain critical skills for high priority units. Experience has demonstrated that those who enlist for the bonus remain longer in the Reserve units than those who do not. And, if we are to meet our Selected Reserve enlistment goals for 1986, approximately 77,000, and for 1987 of 78,000, the continuation and expansion of the Selected Reserve incentive program is essential.

The educational assistance program resulting from the new GI bill for Selected Reserve service is also vitally important and is having a significant impact. I, too, would like to report in response to Mr. Montgomery's question that from all indications the GI bill has been very important to Army Reserve recruiting. Non-prior-service recruiting has improved significantly over last year. For example, through January 1985, we have enlisted almost 9,000 non-prior-service individuals. Through January of this year, we enlisted 11,000 non-prior-service individuals. This improvement is also reflected in the quality of recruits: 50 percent of the non-prior-service recruits falling into mental categories 1 to 3–A, compared with 45 percent in those categories last year.

Our field recruiters also tell us that there is great interest in prospective enlistees about the GI bill. We are pleased that the percent of eligibles, those receiving certificates of eligibility, who actually apply to the Veterans' Administration, have been increasing. Through January 21, the Army Reserve had 2,000 soldiers apply to the Veterans' Administration to use their benefits. We had 3,000 soldiers eligible. And, that is a percentage rate of almost 70 percent. So, I think that indicates the significant impact the GI bill is having now, and will continue to have as we meet our challenges resulting from the demographic realities of our society.

And, indeed, the GI bill and the other incentives are vitally important to address and meet successfully, the demographic challenges that indicate we have a decline in the number of young people available for military service.

Other initiatives that we are taking, are adding individuals to the recruiting force, and also to carefully study the national advertising campaign to ensure that it remains as effective as possible.

Training in the Army Reserve continues to improve significantly. Army Reservists also are serving worldwide. In fiscal year 1986, we anticipate almost 20,000 individuals participating in major exercises and training exercises around the world. From REFORGER in Europe to BLAZING TRAILS, roadbuilding, engineering, medical training in Central America, TEAM SPIRIT in Korea, and an interesting example: Last year, toward the end of the last fiscal year, exercise BRIGHT STAR, was held in Egypt. Almost 1,500 Army reservists participated in that exercise on the western desert.

It is interesting to note, as we have discussed the increased importance of the Reserve components, that almost 30 percent of the Army portion of Central Command, what had been called the Rapid Deployment Force, is made up of Army Reserve units. And, almost 60 percent of 3d Army Headquarters of the Army element of Central Command consists of drilling reservists who meet on weekends and serve on annual training to augment and provide a very important element of that essential part of our national security.

So, that was a very dramatic, I think, but yet, significant, and representative example of not only the integration and relationship of the Army Reserve into the total Army, but also the kinds of training that are taking place in the Army Reserve.

I would now like to turn briefly to the Individual Ready Reserve [IRR], that has also been the subject of some conversation this morning. The IRR is the Army's primary source of pretrained military personnel. It has grown from 213,000 in 1981 to a figure of approximately 300,000 by the end of fiscal year 1985. And, by fiscal year 1991, Individual Ready Reserve, the [IRR] will exceed 450,000, largely through the 2-year extension of military service obligations.

Now, members of the IRR are individuals, pretrained individuals, who have served in the Active component, the Army Reserve, or the Army National Guard, and are continuing their military service obligation, as well as career reservists who are pursuing their Army Reserve career as members of the IRR and are taking training appropriate for their grade and skill.

The IRR is managed by the Army Reserve Personnel Center, an organization created 2 years ago. It is a field operating agency of my office, the Office of Chief, Army Reserve. Members of the Individual Ready Reserve train by taking correspondence courses, attending Army Reserve schools, and serving on tours of active duty for training, at service schools or with Active Army or Reserve units. Their training is limited, of course, by their own availability and the availability of training funds.

Incidentally, I need to point out that a comprehensive training program and strategy for the enlisted IRR is currently being developed by Department of Army and the appropriate major commands of the Army, and the entire Individual Ready Reserve [IRR] is receiving renewed emphasis by the Army and the Department of Defense, in large measure, due to the concern of Congress and this committee.

Indeed, in 1986, the Authorization Act directed the Secretary of Defense to conduct a test of the ability to muster members of the Individual Ready Reserve of the Army in time of war and national emergency. The test muster was national in scale, and was conducted in January. In 13 locations across the United States, approximately 7,000 members of the Individual Ready Reserve attended a 1-day muster on a voluntary basis, and during that muster, personnel information and records were updated, ID cards were issued, briefings were provided on Army Reserve benefits and programs, and opportunity was given those young men and women to explore continuing their Reserve service as members of the Army Reserve or the Army National Guard.

An initial report of the muster has been submitted to Congress, February 1 this year, and a more detailed report will be submitted very shortly on March 1, 1986.

As Secretary Webb has indicated, the Army has directed a mandatory screening of the Individual Ready Reserve in fiscal year 1987, and the purpose will be to determine mobilization availability, and review physical conditions, dependency status, military qualifications, civilian occupation skills, and availability for service. The screening will be an important technique for managing these very valuable, human assets of the Army, members of the Individual Ready Reserve.

The fiscal year 1987 budget also increases Army Guard and Reserve [AGR] end strength by approximately 1,500 personnel to almost 14,000. I would like to emphasize that Army Reserve AGR personnel serve on fulltime active duty to assist drilling reservists in meeting their obligations and their readiness goals in carrying out required day-to-day operations. Indeed, with the increased tempo of operations, and training, and increased reliance on Reserve components, these fulltime personnel are vital to achieve the goals.

Some AGR's serve in assignments above unit level. However, the great majority of those who are—the increased growth in the AGR, now are serving Army Reserve units with which they would mobilize and deploy. Again, their contributions are proving vital to the readiness improvements that are taking place.

In conclusion, I would just like to say, again, that there has been steady improvement in the areas of personnel, training, equipment, and mobilization capability for the Army Reserve. Those improvements have made today's Army Reserve the finest in our Nation's history. Those improvements have been due in large measure to the longstanding interest and support of the Congress.

With that continued support and cooperation, the men and women of the Army Reserve will remain ready to meet the challenges of today and the challenges of tomorrow.

Thank you, Mr. Chairman. I am ready to respond to your questions, as well.

PREPARED STATEMENT OF MAJ. GEN. WILLIAM R. BERKMAN

INTRODUCTION : The Army Reserve , a Full Partner in Today's Total Army

The United States Army Reserve is in better condition today than at any time in its 79 year history. The Army Reserve is a full partner in today's Total Army, serving today and ready for tomorrow. Throughout the world, wherever the Total Army is training and making America's presence felt, the Army Reserve is there contributing to and supporting that effort: exercises such as REFORGER and WINTEX in Europe, BRIGHT STAR in the Middle East, BLAZING TRAILS in Central America, and TEAM SPIRIT in Korea are prime examples. The Army Reserve is there, serving alongside the soldiers of the Active Component, supporting American presence, and contributing to our strategy of deterring war and preserving peace.

TODAY'S U.S. ARMY RESERVE
TRAINING AND SERVING WORLDWIDE
LOCATIONS AND EXERCISES OUTSIDE CONTINENTAL U.S

Today's Army Reserve serves in several ways: Its members are perfecting their skills and military expertise, honing those professional qualifications which are critical to their effectiveness upon mobilization. In this sense they are developing their potential to serve in times of crisis and national emergency. Moreover, serving and training in the Army's worldwide exercises, Army Reserve units and personnel perfect skills needed to coordinate with and closely support their Active Component counterparts should the need arise. Here too the forces of the Army Reserve contribute to fulfilling the missions of the US Army.

The Army Reserve, composed of citizen-soldiers, serves today by consistently demonstrating its competence and mobilization capacity in actual "real time" missions. This makes it possible for the Army's Reserve Components to assume increased responsibility for Army missions. Today's Total Army can meet an expanding worldwide threat more effectively because it can rely upon the professional competence which its Reserve Components have demonstrated on a global scale.

Mission of the Army Reserve

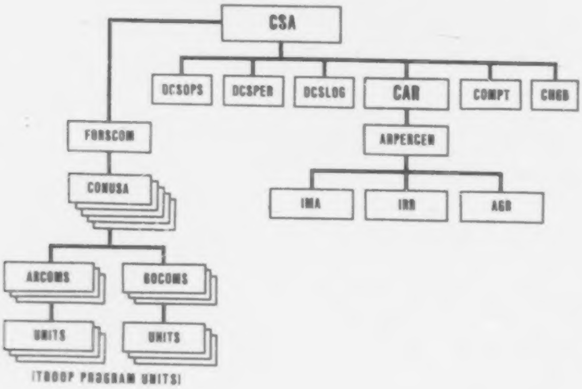
The mission of the Army Reserve as directed by Congress is "to provide trained units and qualified persons avaiable for active duty in the armed forces, in time of war or national emergency and at such other times as the national security requires...."

Army Reserve units include combat, combat support, combat service support and general support. In addition to units training to perform wartime missions, the Army Reserve also includes pretrained individuals in the Individual Ready Reserve. These personnel will provide replacement, fillers and cadre for new units in the event of mobilization.

The dual missions of the Army Reserve are accomplished through troop program units under the command of the US Army Forces Command (FORSCOM) at Fort McPherson, Georgia. The pretrained personnel required by the Army are in the Individual Ready Reserve (IRR). The IRR is commanded and managed by the US Army Reserve Personnel Center (ARPERCEN) in St. Louis, Missouri, a field operating agency of the Chief, Army Reserve. The Individual Mobilization Augmentee (IMA) and Army Reserve Active Guard/Reserve (AGR) programs are also managed by ARPERCEN.

In addition to his statutory role as advisor to the Chief of Staff of the Army on Army Reserve matters, the Chief, Army Reserve also serves, by regulation and directive, as a member of the Army Staff and director of Army Reserve appropriations.

Command and Control, Army Reserve



The chart below serves to reemphasize what the Secretary of the Army and Chief of Staff point out in their FY 1987 Posture Statement - today's Army Reserve is a full partner in the Total Army.

Type Unit	Percent of Contribution to ARMY Requirements*
Training Divisions	100
Training Brigades	100
Military Intelligence (Strategic Research and Analysis)	100
Civil Preparedness Support Detachments	100
Army Reserve Schools	100
Maneuver Area Commands	100
Maneuver Training Commands	100
Railway Units	100
Judge Advocate General Detachments	98
Civil Affairs Units	97
Psychological Operations Units	89
Smoke Generator Companies	88
Army Hospitals	65
Terminal Service/Transfer Companies	61
Watercraft Units	50
Pathfinder Units	46
Chemical Decontamination Companies/Detachments	46
Quartermaster Petroleum, Oil and Lubricant Operating Companies	45
Conventional Ammunition Companies	44
Army Medical Units (other)**	41
Services and Supply Units	40
QM Engineer Water Supply, Well Drilling, Purification Units	36
Major Logistical Units***	31
Nondivisional Bridge Companies	29
Combat Support Aviation Companies	26
Truck Companies	26
Maintenance Companies (Direct Spt, General Spt)	25
Special Forces Groups	25
Combat Engineer Battalions	24
Separate Combat Brigades	13
Field Artillery Brigades, Headquarters Detachments	9
Field Artillery Battalions**	8
Army Aviation Units	8
Mechanized Infantry Battalions**	2
Armor Battalions**	2

* Current structure as of August 1985

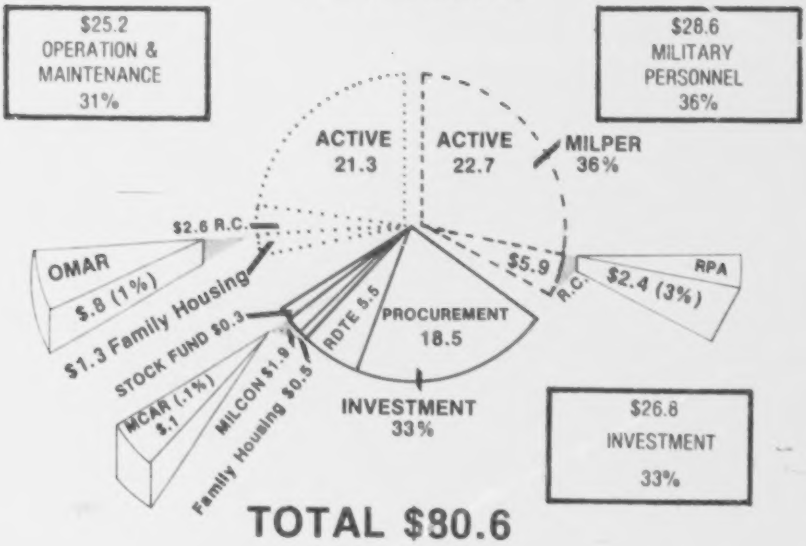
** Includes organic and separate elements

*** Theater Army Area Command/Corps Support Command, Area Support Groups and Field Depots

Since 1980, there has been a steady increase in the Army Reserve's capabilities and abilities to meet its wartime mission requirements. Care must be exercised in reviewing statistics from the Army's Unit Status Reporting system. The rating criteria of the readiness reporting system were designed for use by full time Active Component units and then extended to the part time units of the Reserve Components. That system is a useful management tool; however, it is important to bear in mind that Army Reserve units usually train one weekend each month in addition to their two weeks of annual training. Reserve Component peacetime authorizations and their nature as part time rather than full time military organizations often preclude their attaining the same unit readiness ratings as their Active Component counterparts.

Today's Army Reserve is better prepared than ever before to fulfill its mission. This improvement has been the result of increasing Congressional support for the structuring, modernizing, equipping, and training of the Army Reserve. With the continuing support of currently programmed expenditures, Army Reserve readiness will continue its steady improvement.

COST OF MAINTAINING THE ARMY
FY 1987
TOA IN BILLIONS



In today's environment of constrained resources, the Army Reserve provides a cost-effective answer to the Total Army's need for combat support and combat service support units. As the need to reduce operating costs grows greater, the Army will respond by placing increasing emphasis upon the ability of its Reserve Components to meet its operational needs. Innovation and increased productivity will be demanded from all levels of the Total Army, including the Reserve Components, if we are to meet the fiscal challenges of the next several years. The Army Reserve is uniquely qualified by its very nature as an organization of dedicated and professionally competent citizen-soldiers to meet those challenges. The Army Reserve must have the continued support of the Congress if it is to be effective in fulfilling its mission. The cost-effectiveness of the Reserve Components holds the key to maintaining Total Army readiness in the face of funding constraints.

FORCE STRUCTURE AND MODERNIZATION

SPECIAL OPERATIONS FORCES

More than 50 percent of the Army's special operations force structure is in the Reserve Components. The spectrum of special operations forces (SOF) includes Special Forces, Civil Affairs, and Psychological Operations units. It was Army Reserve Civil Affairs units that provided the specialized support needed to restore the effectiveness of Grenada's civil government in the wake of the uprising on that island and our ensuing rescue mission. Army Reserve Civil Affairs personnel were in Grenada within 24 hours of the decision being taken to commit them in support of US forces. They were ready and continue ready. Recently Army Reserve civil affairs personnel organized the collection, shipment and distribution of more than ten tons of school textbooks donated by Michigan school libraries to replace those deliberately destroyed by the former Marxist regime in Grenada.

TEXTBOOKS DISTRIBUTED TO SCHOOL

CHILDREN IN GRENADA

New organizational designs are under review for Special Forces units and Civil Affairs organizations which are intended to improve their capabilities. Initiatives are also under consideration which would raise unit priorities for equipment modernization in accordance with new deployment criteria. Modernization and resourcing these unique units require a continued funding commitment.

Affiliation Programs

Affiliation is a dedicated training assistance relationship between an Active Component sponsor unit and a selected Army Reserve unit. Affiliation is based on the Reserve unit's mobilization priority and its specific training needs. Currently, there are 211 Army Reserve units and organizations in the Affiliation Program. The Affiliation Program provides year-round training assistance to the Reserve Components to improve unit mobilization readiness.

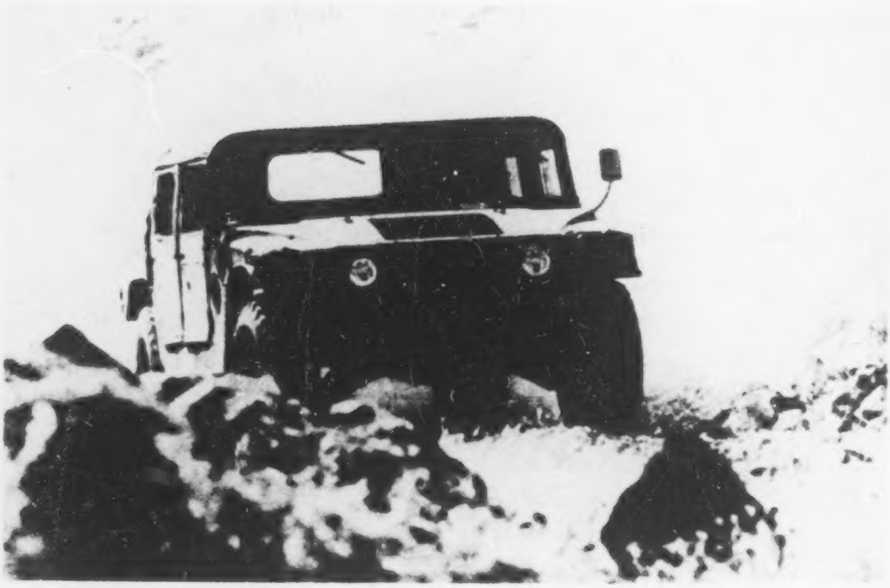
Roundout Program

The Roundout Program, although similar in some respects to affiliation, is specifically a wartime alignment. The Army Reserve unit that rounds out or complements a larger Active Component element will deploy concurrently with that element, or as soon thereafter as possible. The Reserve Component roundout unit also has the same priority for equipment fill as its Active Component gaining headquarters. Presently, the Army Reserve has five units in the roundout category, and there are proposals under consideration to significantly increase the number of roundout units. Most recent among these has been the selection of the 205th Separate Infantry Brigade, headquartered in Minnesota, to roundout the 6th Light Infantry Division in Alaska. The Roundout Program is another cost-effective force structure technique that allows the Army to meet its mobilization requirements within resource limitations and manpower ceilings.

ARCTIC TRAINING

Force Modernization

Force Modernization of the Army Reserve continues to be a vital link in Total Army readiness. New equipment to modernize the Army Reserve during FY 1987 includes 19 systems fielded for the first time. Special emphasis is also given to Communication, Electronics, and Warfare Intelligence (CEWI) units.



HIGH MOBILITY MULTIPURPOSE

WHEELED VEHICLE

(HMMWV)

Included in the 19 new systems fielded in the Army Reserve are:

- o High Mobility Multipurpose Wheeled Vehicle (HMMWV) ambulances.
- o Squad Automatic Weapon (SAW).
- o Position Azimuth Determining System (PADS).
- o AN/MLQ-34 (TACJAM).

During the period FY 1987 - FY 1992, the Army Reserve will receive 77 new systems.

SQUAD AUTOMATIC WEAPON

(SAW)

Army of Excellence Aviation Initiatives

More than ever before the Army's reliance on its Reserve Components is increasing. Army aviation is no exception. Not only has the Army of Excellence concept brought new missions and equipment to the Reserve Components, but it will also result in organizational concepts and structures which will change the way Reserve aviation does business.

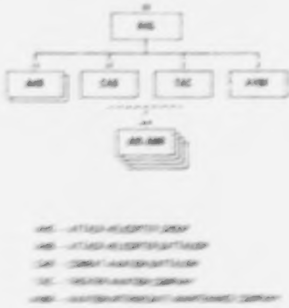
Sixty percent of the Army's corps aviation force will be assigned to the Reserve Components. This force of 29 battalions will be fully integrated into the corps' aviation brigades.

Aviation Structure

In FY 1987 the Army Reserve will begin an extensive and comprehensive restructuring and reorganization of its aviation force. This action will include the infusion of modernized equipment into many newly-formed aviation organizations, all with challenging combat roles and missions. These changes are intended to take further advantage of the cost-effective nature of the Army Reserve force. New equipment and a more efficient organization should ultimately provide more responsive support of Total Army mobilization requirements while holding operating costs to a minimum.

This force is to be organized into seven Reserve aviation groups, with at least one in each Continental US Army (CONUSA) area. Under the groups will be five assault helicopter battalions, two of which will be equipped with the UH-60A (Blackhawk), and five attack helicopter battalions with AH-1S (Cobra). Within these groups will be a total of two medium helicopter battalion headquarters, three medium helicopter companies, one divisional combat aviation company, five nondivisional aviation intermediate maintenance companies, and 19 air ambulance detachments.

ARMY RESERVE AVIATION
TYPICAL GROUP STRUCTURE



Restructuring Aviation Training

Combat missions and modern aircraft demand effective training within the unit. Army Reserve aviation utilizes its inactive duty training (IDT) and annual training (AT) periods for organizational or multiple aircraft training. Individual aircrew training is performed during additional flight training periods (AFTP). AFTPs provide the minimum flight training opportunities required for aircraft crews to maintain their flying proficiency. The AFTP program ensures that Army Reserve crews train to the same wartime standards as their Active Component counterparts.

In addition to the AFTP, the Army Reserve has developed an operational tempo (OPTEMPO) plan which defines the number of hours each aircraft crew must train every month to maintain its proficiency. A similar OPTEMPO plan has also been developed for pilots in the Individual Ready Reserve.

In order to meet increased operational demands as well as training and maintenance requirements, a high level of full-time manning in Army Reserve aviation organizations is essential. This level of manning will provide sufficient personnel to ensure the intensive management necessary for achieving and maintaining aviation combat readiness.

Military Intelligence Structure

In FY 1984 the Army leadership approved a comprehensive plan for the conversion of Army Reserve Military Intelligence and Army Security Agency (MI/ASA) units to the Army of Excellence Communications Electronics Warfare Intelligence (CEWI) design. In addition to this structure, configured to support the divisional, separate brigade, and armored cavalry regiments in the Reserve Components, the plan provides for the fielding of echelons-above-corps military intelligence units to support theater intelligence requirements. This comprehensive reorganization of Army intelligence units involves a complete modernization of the Army Reserve MI/ASA structure and an increase of military intelligence personnel in the Army Reserve from 6,000 to more than 10,000. The implementation of the Army Reserve military intelligence plan begins in FY 1986 with the activation of the first divisional support battalions. These activations will be completed in FY 1987. Conversion and activation of the additional military intelligence structure to support intelligence requirements will continue through FY 1991.

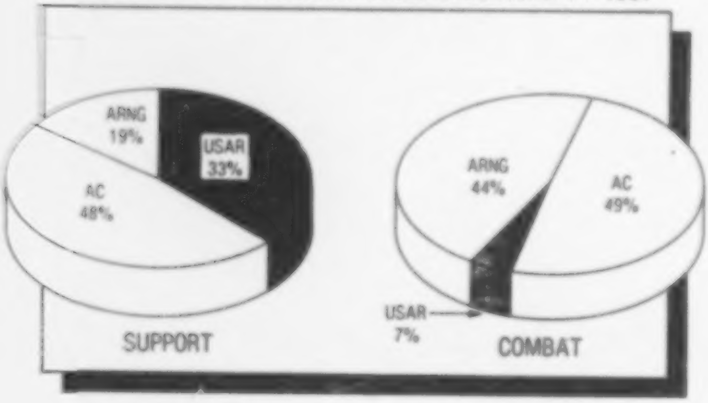
PERSONNEL

Strength Increases

The essential ingredients of readiness are personnel, training, equipment, and mobilization. In recent years the Army Reserve has experienced increasing success in its recruiting and retention efforts. The FY 1985 troop unit end strength exceeded programmed strength by more than 6,300 personnel. Based upon this end strength and the presence from the beginning of the fiscal year of an increased recruiter force, we fully expect to achieve an FY 1986 paid drill end strength of 285,178. Our FY 1987 budget requests a paid drill end strength of 299,229. These increases will further help improve the personnel readiness of our Army Reserve units by filling many vacancies which have until now degraded unit readiness ratings.

U. S. ARMY RESERVE

CONTRIBUTION TO TOTAL ARMY FORCE STRUCTURE FY 1987



Program Improvements

The increases in Army Reserve personnel authorizations have been matched by improvements in personnel acquisition, management, and assignment programs for Army Reserve soldiers of the Selected Reserve (members of troop program units (TPU); of the Individual Mobilization Augmentee (IMA) Program; and of the Army Reserve's Active Guard/Reserve (AGR) Program). Similar improvements are underway with respect to Army Reserve members of the Individual Ready Reserve (IRR), the Army's major source of pretrained individual (non-unit) soldiers who would be available in the event of a mobilization to bring Active and Reserve Component units to wartime strength, provide replacements, and serve as cadre for new units. These programmatic enhancements have made significant contributions to the overall personnel readiness posture of the Army Reserve.

The Army Reserve's ability to perform its essential mobilization missions within the Total Army is a result of the high quality young men and women who are recruited and the experienced career soldiers who are reenlisting in their units.

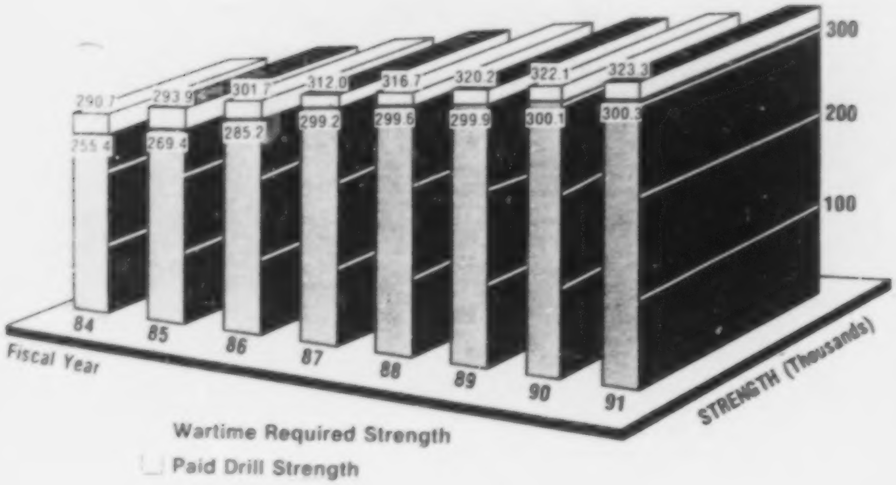
A variety of innovative personnel management programs has been designed to develop soldiers who are ready to serve effectively in their military specialties upon mobilization. Increased emphasis in such critical areas as recruiting and retention, full time support, the expanded Individual Mobilization Augmentee Program, and professional development for the IRR has stimulated significant improvement in the Army Reserve's mobilization readiness. In addition to initiatives in these areas, the Army Reserve has also focused its attention on such other essential programs as leadership development and the development of a more effective family support program. All of these personnel management issues and programs are being developed, supported, and adjusted where necessary to provide a trained force of Army Reservists, prepared to serve as a full and essential element of the Total Army whenever it may be called upon.

Recruiting and Retention

In FY 1985, the Army Reserve Selected Reserve met or exceeded its program strengths in each category, achieving significant improvement of personnel readiness. Congressional support of the Selected Reserve Incentive Program, resulted in exceeding overall recruiting objectives, and achieving retention increases in FY 1985 in the Selected Reserve over FY 1984. The recently implemented GI Bill for the Reserve Components is critical to supporting improvements in the recruiting and retention of high quality Army Reserve soldiers.

U. S. ARMY RESERVE

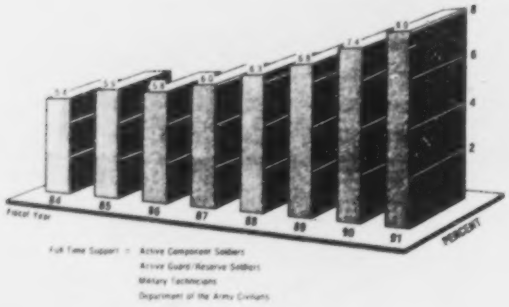
PAID DRILL STRENGTH



As a result of this growth, the Defense Guidance to have 90 percent of the Army Reserve's wartime personnel strength requirement trained and deployable will be met in FY 1987 instead of FY 1990. In FY 1985, Army Reserve troop program unit strength exceeded planned strength by 6,349 to reach 269,407. The program will grow to 299,229 in FY 1987 and 300,300 in FY 1991. The low rate of growth from FY 1987 to FY 1991 reflects budget constraints; nevertheless, Defense Guidance continues to be met.

U. S. ARMY RESERVE

FULL TIME SUPPORT AS % OF TROOP UNIT STRENGTH

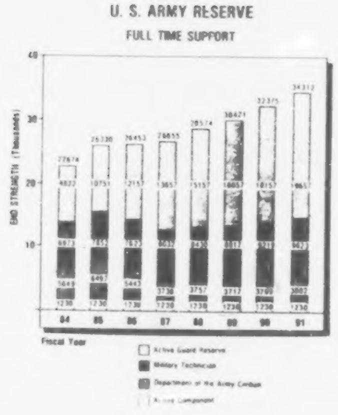


Full Time Support of the Army Reserve

Full time support of U.S. Army Reserve improves unit readiness by providing full time personnel to Army Reserve units and activities for the purpose of organizing, administering, recruiting, and training the Army Reserve. These personnel are in four categories: Active Component (AC) soldiers, Active Guard/Reserve (AGR) soldiers, military technicians (MT), and Department of the Army civilians (DAC).

With regulatory revision in 1985, the Full Time Support Program emerges as one of the most significant manpower programs in the Total Army of the 1980's. Previously, disparate manpower programs were established to address various aspects of Army Reserve readiness. Now these are combined under the umbrella of the Full Time Support (FTS) Program and assist drilling Reservists by carrying out required day to day operations thus enabling unit members to concentrate their limited available time on training to achieve mobilization readiness. Full time personnel also make it possible for drilling reservists to take part in more training exercises by maintaining the tempo of unit operations in their absence.

With Congressional support, the FTS available to the Army Reserve has increased steadily in the past several years. We have planned for the FTS Program to increase to eight percent of troop unit strength by FY 1991. It is absolutely imperative that the growth of the FTS program be sustained. We are still substantially short of our goal of having ten percent of our troop unit strength in the full time support category.



The Active Guard/Reserve (AGR) Program

The Army Reserve strength of the Active Guard/Reserve (AGR) Program has risen from 2,480 at the end of FY 1979 to an authorized end strength of 12,157 at the end of FY 1986. The FY 1987 projected AGR end strength of 13,657 clearly indicates the Army's commitment both to improve the Army Reserve's mobilization readiness and to transfer a larger portion of its missions to its Reserve Components. The program is projected to expand to over 19,000 soldiers by the end of FY 1991, with the largest increase programmed for full time unit support. The quality of the AGR program has been further enhanced through initiatives to provide its soldiers more professional development opportunities, greater tour stability, and standardized entrance policies.

AGR program growth has to be supported by increases in management resources (people, space, and equipment). Such issues as quality of the AGR force, quality of life, personnel management, and the mobilization posture of the force itself demand that our nation's leaders remain cognizant of the total requirements commensurate with program expansion.

The Office of the Chief, Army Reserve (OCAR) has developed management initiatives directed toward fine tuning the AGR program. Through the implementation of position validation procedures and objective force analysis, program strength was realigned to assure flexibility in meeting changing unit readiness demands. The implementation of comprehensive life cycle management regulations has provided a highly qualified and stable AGR force with the skills, experience, and background needed to maintain and sustain the required level of RC readiness.

As the Army Reserve AGR Program continues to grow, consistent management and attainment of a proper AGR objective force will remain the goal.

Military Technicians

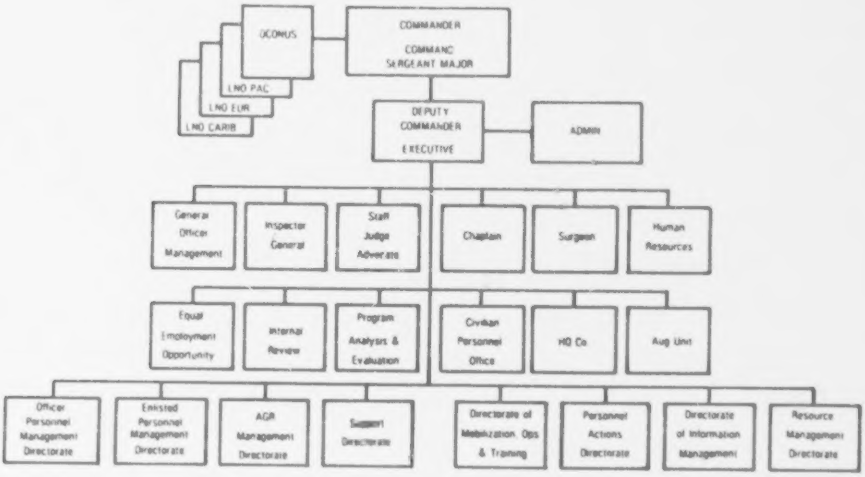
Military technicians are important members of the full time support team. In July 1985, the responsibility for the overall management of the Army Reserve Military Technician Program was assigned to the Chief, Army Reserve. Current initiatives to improve the management of the program include implementing a new technician accounting system and improving technician recruiting efforts. Military technician strength for FY 1985 was 7,852. Growth of approximately 1,600 additional military technicians is planned over the next five years.

US Army Reserve military technicians are required to maintain "dual status" as a condition of their employment and to serve in three ways: (1) to provide, in their civilian capacity, the daily management, planning, maintenance, training, and other support required by their units to attain and maintain mobilization readiness; (2) to participate in the military training activities of their units through assignment as Reservists to related military positions in their units; and (3) to enter on active duty with their units upon mobilization.

The Army Reserve Personnel Center

Command and control of the Individual Ready Reserve (IRR) is vested in the Commander, US Army Reserve Personnel Center (ARPERCEN). ARPERCEN is a field operating agency of the Chief, Army Reserve who is responsible for personnel management of Army Reserve and serves as the principal coordinator for IRR for the Army staff. ARPERCEN has absorbed most of the functions formerly performed by the Reserve Components Personnel and Administration Center (RCPAC). After 15 years of service to the Total Army, the RCPAC colors were ceremonially cased on 5 November 1985. ARPERCEN is commanded by an Army Reserve brigadier general serving on full time active duty. BG Paul L. Babiak assumed command of ARPERCEN on 1 February 1986.

ARMY RESERVE PERSONNEL CENTER (ARPERCEN)


OCONUS
LNO PAC
LNO EUR
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COMMANDER
COMMAND SERGEANT MAJOR
DEPUTY COMMANDER
EXECUTIVE
ADMIN
General Officer Management
Inspector General
Staff Judge Advocate
Chaplain
Surgeon
Human Resources
Equal Employment Opportunity
Internal Review
Program Analysis & Evaluation
Civilian Personnel Office
HQ Co
Aug Unit
Officer Personnel Management Directorate
Enlisted Personnel Management Directorate
AGR Management Directorate
Support Directorate
Directorate of Mobilization, Ops & Training
Personnel Actions Directorate
Directorate of Information Management
Resource Management Directorate

ARPERCEN's responsibilities now include a wide range of missions supporting not only the Army Reserve but also the readiness of the Total Army. Among those missions, the most significant are the following:

* Command and control of the IRR and the Standby Reserve.

* Management of the professional development and training of members of the Army Reserve.

* Maintenance of the personnel information data base on the Army Reserve and Active Army's retired personnel.

* Strength accounting and monitoring of the Army Reserve.

* Administration of the Individual Mobilization Augmentation (IMA) Program.

* Administration of the Army Reserve portion of the Active Guard/Reserve (AGR) Program.

* Operation of a system for assigning obligated officers to Army National Guard and Army Reserve units.

* Service as the repository for 1.3 million official military personnel files for all members of the Army Reserve and retired personnel from all components of the Army, and for approximately one million military personnel record jackets for the members of the IRR, and of IMA and retired soldiers.

* Accessioning and other military personnel functions for members of the IRR.

* Management of the Reserve Participation Accounting System (RPAS) for all Army Reserve soldiers.

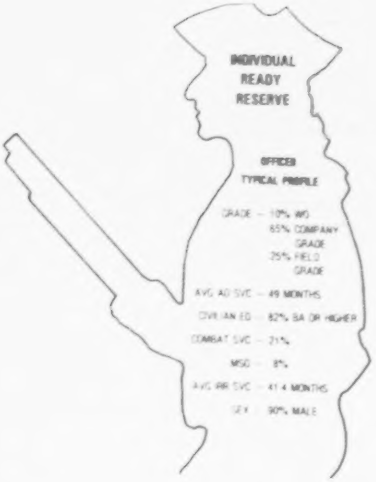
* Furnishing of data from personnel records or copies of records to state and federal governmental agencies, members of Congress, and the other services.

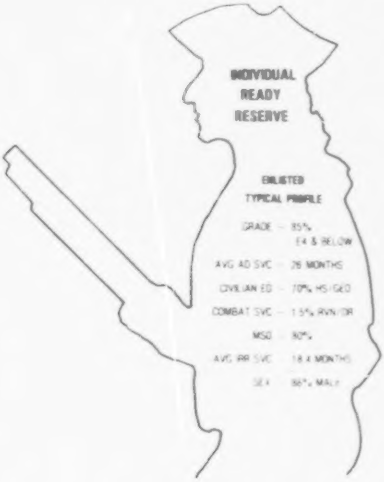
* Management of Reserve Forces Duty (RFD) lieutenants from the time ROTC cadets are identified for RFD through their basic officer courses and ultimate assignments to units.

* Provision of a wide variety of personnel support services to Reservists, retirees, and veterans, either directly or in conjunction with such agencies as the Veterans Administration, the Army Board for the Correction of Military Records, and the Army Discharge Review Board.

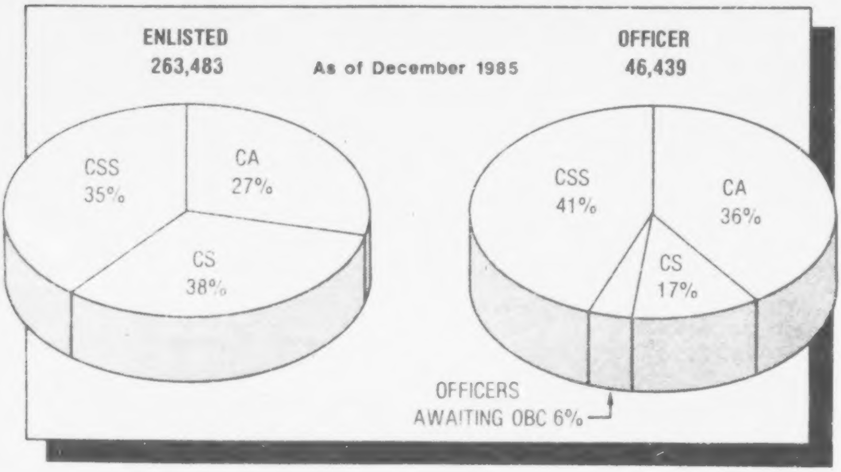
The Individual Ready Reserve

The members of the Individual Ready Reserve (IRR), for the most part, are trained soldiers who have served in the Active Army, the Army Reserve, or the Army National Guard. These Reservists do not serve in Selected Reserve units, but have a remaining service obligation and are subject to the same obligations as their fellow Reservists and may be recalled to active duty in the event of mobilization. As the nation's largest pool of deployable and pretrained individual manpower, the Army Reserve soldiers of the IRR are available for mobilization to bring the Total Army to its wartime strength. The IRR is the source of pretrained soldiers for the support base and Total Army in deploying units until additional personnel can be inducted and trained.





IRR COMPOSITION BY COMBAT ARMS (CA), COMBAT SUPPORT (CS), COMBAT SERVICE SUPPORT (CSS)



ARPERCEN's goal is to maintain the proficiency of the IRR, to develop and sustain it by means of a broad range of relevant and realistic training, and thus provide quality soldiers who are immediately available to extend the flexibility, capability, and readiness of the Total Army. Management of this training is based on prioritized mobilization requirements and upon available resources.

The IRR Enhancement Program

The IRR Enhancement Program is a compendium of issues and actions, ongoing and proposed, intended to support, manage, train, and improve the quality of the IRR as a vital link in the national defense. The IRR Enhancement Program deals with five broad topic areas managed and monitored by ARPERCEN: personnel, training, IRR muster, information management, and IRR marketing. The IRR Enhancement Program has been designed to ensure that all programs affecting the management of the Army Reserve's pretrained manpower pool are integrated and coordinated to achieve the most cost-efficient and beneficial effect for the Total Army.

IRR Muster

Congressional guidance included in the FY 1986 Defense Authorization Act directed the Secretary of Defense to "conduct a test of the ability of the Army to muster members of the Individual Ready Reserve of the Army in time of war or national emergency." The test muster was to be national in scale and to determine the availability and fitness for duty of the IRR as well as the adequacy of current call-up procedures. Nearly 7,000 IRR members were mustered in 13 cities in January 1986. Specific activities of the muster operation included updating of personnel information; issuing of Reserve ID cards; briefing personnel on Army Reserve benefits and programs; conducting enlistments into the Selected Reserve; conducting common skill and selected specialty testing; fingerprinting; medical screening; and issuing battle dress uniforms to those who enlisted or reenlisted in the Army Reserve. These activities were designed to update the mobilization data base to expedite call-up procedures, increase Selected Reserve strength, and increase IRR participation in training. They were intended to aid in developing a more structured, trained, and available Army Reserve force. An initial report on the FY 1986 IRR muster was submitted to the Congress on 1 February 1986. A more detailed report will be submitted on 1 March 1986.

MUSTER IN-PROCESSING

IRR Screening

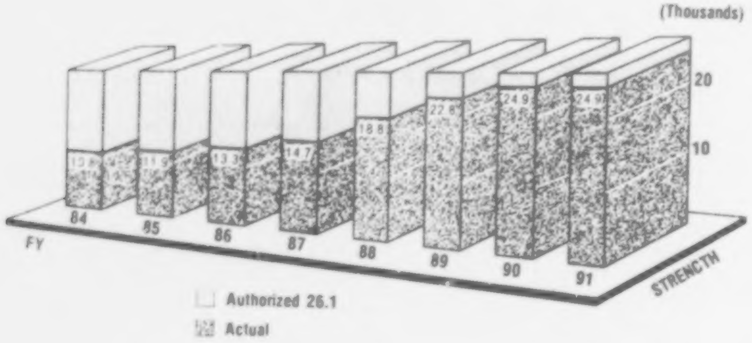
During FY 1987, the IRR screening process will expand to include all of the IRR. The FY 1987 screening has been directed by the Office of the Secretary of Defense and will be mandatory for all services.

The primary goal of the IRR screen is to determine mobilization availability of the IRR. The Army will review IRR members' physical condition, dependency status, military qualifications, civilian occupational skills, and availability for service. The screen will be an important technique in managing valuable human assets.

Individual Mobilization Augmentee Program

Reservists in the Individual Mobilization Augmentee (IMA) Program are members of the Selected Reserve assigned to units of the Active Army, to other DOD agencies, or to the Federal Emergency Management Agency (FEMA). Each IMA soldier participates in a variety of training activities to develop and maintain his proficiency in the skills required use upon mobilization. IMA soldiers normally train with their Active Component organizations at least 12 days each year. However, some IMA program members will be required to drill 24 times each year with their mobilization unit of assignment. In the event of a national emergency, Active Component units will need trained, reliable personnel to fill vacancies which are not authorized in peacetime but which become critical upon mobilization. The Individual Mobilization Augmentation Program will provide this strength in the event of war. The program gives the Active Army the necessary manpower to expand rapidly in periods of national emergency by immediately filling vacancies in its wartime required structure with predesignated and pretrained personnel. The program grew by 1,075 augmentees in FY 1985, and is programmed to reach 13,315 in FY 1986; 14,714 in FY 1987; and 24,943 by FY 1990.

INDIVIDUAL MOBILIZATION AUGMENTEE PROGRAM



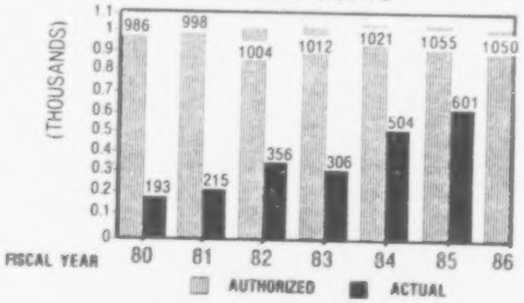
Medical Personnel

Army Reserve medical personnel and units are a vital part of the Total Army. Issues pertaining to personnel, training, medical equipment, credentialling, and force structure apply equally to the Active Army and the US Army Reserve. Total Army structure integration efforts such as the Medical Functional Review, Medical Functional Area Assessment, and the Medical Systems Program Review emphasize that today's Army Reserve is a full partner in the Total Army Medical Department.

The Comptroller General's Report to the Congress entitled Will There Be Enough Trained Medical Personnel in Case of War? (HRD-81-67, June 24, 1981) discussed the shortage of skilled medical personnel in the Regular and Reserve forces. On 1 October 1980 there were 28,523 medical personnel (8,044 officers and 20,479 enlisted) assigned to Army Reserve units. In addition, 16,205 individuals (6,871 officers, 9,334 enlisted) were assigned to the Army Reserve in a non-unit status.

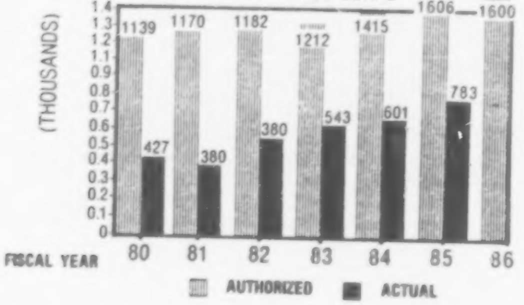
SELECTED SURGICAL SPECIALTIES

MEDICAL CORPS



SELECTED SURGICAL SPECIALTIES

ARMY NURSE CORPS



The Army Reserve has initiated many changes to increase the number of officer and enlisted medical personnel in troop program units, in the Individual Ready Reserve, and in the Individual Mobilization Augmentee Program. One effort is to focus recruiting programs on those civilian medical specialties most needed in the Army in the event of mobilization, such as surgeons, anesthesiologists, nurse anesthetists, and trauma specialists. Another effect is directed at stemming the flow of trained medical soldiers from the Army Reserve. As of 1 October 1985, the strength of medical personnel in units had increased to 49,483 (12,251 officers and 37,232 enlisted) while the non-unit strength had grown to 27,962 (10,964 officers and 16,998 enlisted). Compared with 1980, this represents a medical personnel increase of nearly 20,000 in units and 11,000 in non-unit status.

It is anticipated that in FY 1987 the efforts to further target medical skill recruiting will realize a significant increase in those critically short medical specialties that currently exist. Continued retention efforts will see a force of medical soldiers better able to perform militarily as well as professionally.

The quality of medical, nursing, and other types of health care provided to eligible service beneficiaries has been the subject of a recent investigation. As a result, the Office of the Assistant Secretary of Defense (Health Affairs) has directed that all medical personnel, Active, Reserve Component, and civilian, providing health care must meet specific standards. All personnel requiring licensure, certification, registration, or other credentials to train in Army medical treatment facilities must have documentation of those credentials on file prior to training. Intensified emphasis on quality assurance and credentialling has mandated equal standards for Active and Reserve Component medical personnel. With credentialling well underway within the Army Medical Department, the goal of quality care by qualified health care providers is being realized.

ROTC

The Reserve Officers' Training Corps (ROTC) Program continues to be the largest single source of newly commissioned officers for the Army Reserve. In FY 1984 the Army Reserve received 1,694 of the 8,234 officers commissioned through this program.

In FY 1985, 2,079 of 8,319 ROTC graduates were directly assigned to the Selected Reserve. About 8,000 officers are expected to be commissioned through ROTC in FY 1986 and FY 1987. Of these, about 1,300 will join the Army Reserve upon commissioning and completion of their officer basic courses.

Leadership

In line with the Army's 1985 theme of "Leadership," the Army Reserve actively supports leadership development by rewarding creativity, commitment, and the taking of risk. The best physical, mental, moral, and spiritual attributes are to be challenged and nurtured, and active, aggressive leadership initiatives will continue to be encouraged at all levels. No investment pays better dividends than first-class leadership. Leaders subscribe to the premise that "We lead, we train, we serve, we care."

LEADERSHIP IN ACTION

ARMY RESERVE FAMILY

Army Reserve Families

The Army Reserve has long recognized the importance of families to the success of its mission. The Office of the Chief, Army Reserve continues to review laws, directives, regulations, and policies to identify and recommend solutions to issues that limit reserve families' full participation and involvement in Army programs. We have established full time positions in our Army Reserve Support Operations Center to manage community- and family-oriented problems and issues and to coordinate family programs with the many Army and OSD agencies involved with them.

There were several important Reserve family-related initiatives put into place in 1985. Among these were approval of an identification card for family members, authorization for family-oriented activities during regularly scheduled training time, and the establishment of several unit level family support groups.

The proposal to allow drilling reservists and their families to use their annual training commissary privileges throughout the year rather than only during annual training was not supported by OSD or the Congress in 1985. The Army continues to believe this low-cost, high-morale family retention initiative merits support. The proposal would not increase access to commissaries for the benefit of reserve members and their families--it would only affect the times when these benefits may be used.

TRAINING

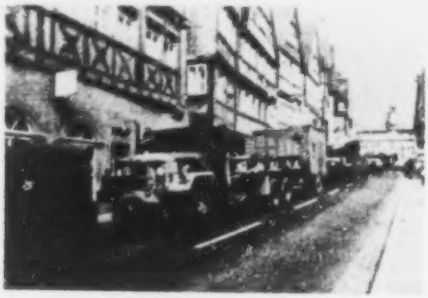
After personnel, the next essential ingredient of readiness is training. The Army Reserve's ability to fulfill its wartime mission is in large part a function of its training. Professional competence and the effectiveness which it engenders are the goals of Army Reserve training. As the reliance placed upon the Army's Reserve Components continues to grow, so too must these forces' abilities to provide the effective training and testing to justify and confirm that reliance.

Training in today's Army Reserve must keep pace with the myriad challenges which it encounters. Increased responsibilities and proportionally decreasing time and resources available for the training mission dictate that Reserve training must be made as effective as possible. Such a challenge is not new, nor is it expected to change over time, except in degree - it will only become more so. The Army Reserve's training programs for its units and its individual officers and enlisted soldiers become more demanding while operating at an increasing tempo made possible by full time unit support.

RIVER CROSSING

FIELD TRAINING EXERCISE

The Army Reserve trains continuously to produce and maintain combat-ready soldiers and units capable of performing their wartime missions. Realistic, mission-oriented unit training reinforced by individual military specialty training and professional development education are the keys to readiness.



REFORGER

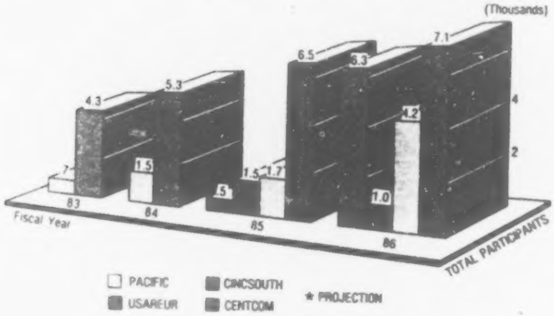
Overseas Training

The Overseas Deployment Training (ODT) Program ensures realistic periodic training in areas where Army Reserve units may have to deploy and incorporates the latest wartime planning and CAPSTONE unit alignments. CAPSTONE is the program that aligns and integrates the entire Total Army structure by operation plans. For the Army Reserve unit, this permits training and planning for the wartime mission.

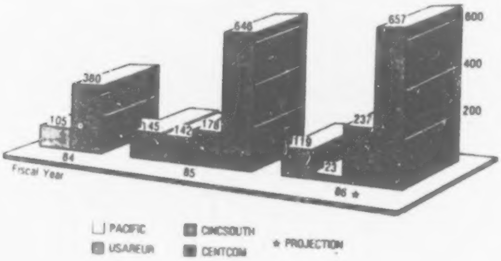
Procedures have been established for a three-year overseas training program and a five-year plan. Priority for overseas training is based on a unit's presence on a force deployment list supporting a contingency plan, its CAPSTONE alignment, and in-country required arrival date. Units within the D to D+60 category are programmed for overseas training once every 3-5 years. Some unit representation may be by command and control cells depending on their mission and CAPSTONE alignment.

Army Reserve ODT participation has increased from 12 units/cells in FY 1976 to 1,111 units/cells containing approximately 10,200 personnel in FY 1985. Over 1,036 Army Reserve units/cells containing nearly 18,600 personnel are projected to participate in ODT for FY 1986. By using projected mobilization missions, a more equitable selection process has been achieved. Increased Reserve Component CAPSTONE alignments also allow greater participation in joint exercises such as REFORGER, CRESTED EAGLE, AND WINTEX in Europe, TEAM SPIRIT in Korea, BRIGHT STAR in the Mid East, and BLAZING TRAILS in Central America. ODT has also proven to be a significant factor in improving personnel retention.

The sense of making a contribution to the national security is greatly strengthened when soldiers actually train where they may have to fight. The relevance of the ODT experience is frequently cited by experienced Reservists as a primary factor in their decision to stay with the program. The personnel savings and avoided training replacement costs represented by this increase in retention clearly mark the ODT program as a prudent investment in the Total Army's future.



U. S. ARMY RESERVE
INDIVIDUAL
OVERSEAS DEPLOYMENT TRAINING



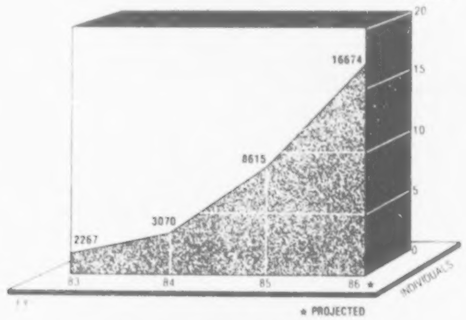
U. S. ARMY RESERVE
UNITS/CELLS
OVERSEAS DEPLOYMENT TRAINING

Overseas training is an excellent training vehicle for Army Reserve units, and its expansion is fully supported. The training received overseas is focused upon wartime missions and planning. Expansion of the program in Germany and projected growth for Korea and SOUTHCOM will require more administrative support.

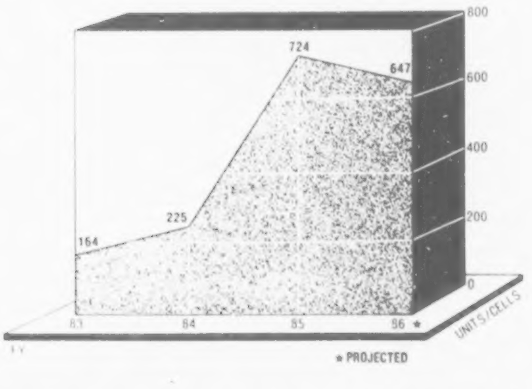
Joint Chiefs of Staff (JCS) Exercises

A basic objective of US Army Forces Command is to train all major Reserve Component units through participation in major exercises sponsored by the unified, specified, or combined commands. Such exercises will normally constitute annual training for participating individuals and units.

U. S. ARMY RESERVE
JCS EXERCISE PARTICIPATION



U. S. ARMY RESERVE
JCS EXERCISE PARTICIPATION



Army Reserve participation in Joint Chiefs of Staff (JCS) overseas exercises has grown from 103 units/cells in FY 1982 to more than 724 participations in FY 1985. The JCS Exercise Program involves overseas deployment of equipment and troops in varied environments from Europe and Southwest Asia to the Pacific and Central America.

Training in Central America

FY 1986 is noteworthy as the first year Army Reserve troop program unit members were trained in significant numbers in Central America and the Caribbean Basin. In prior years individual Reservists with medical and civil affairs skills have benefited from training and made substantial contributions to the SOUTHCOM mission. And that training continues. However, the BLAZING TRAILS exercises now are providing mobilization, deployment, and redeployment training for thousands of Army Reserve soldiers who are unit members. Overseas development training in this area was previously confined to small cells and individual personnel and accomplished on relatively short notice as opportunities presented themselves. FY 1986 overseas training conferences for the first time reviewed a five-year plan for the Caribbean Basin and outyear plans for Central American countries as well. Continued civil affairs actions to improve conditions and promote good will and stability are expected to constitute Army Reserve training opportunities for the future.

PORT TERMINAL OPERATION

CAPSTONE

The Army CAPSTONE Program, to which reference has already been made, was initiated in October 1979. It is designed to associate Active and Reserve Component units in organizational structures which meet wartime operational requirements and the needs of the CONUS sustaining base. The CAPSTONE Program integrates units of all components by geographical and operational plan for four areas: Europe, the Pacific, Central Command (Rapid Deployment Force-Army), and the continental United States. Updated annually, CAPSTONE permits Army Reserve units to focus their peacetime training on wartime missions and to conduct detailed mobilization planning. CAPSTONE has fostered a closer relationship between Active and Reserve Component units, enhancing the combat capabilities of the Total Army. Army Reserve units are CAPSTONE-aligned and train toward the specific mobilization missions they have been assigned under various contingency plans.

Reserve Training Action Plan

The Department of the Army has developed and is implementing an action plan for Reserve Component training. Among the 16 major Reserve training issues that are addressed by the action plan are:

- Noncommissioned Officer Education System (NCOES)

- Officer/warrant officer training

- Full time manning training

- Military occupational specialty (MOS) qualification

- The Army Correspondence Course Program

- Regional training sites
- Training aids/devices

- Army Reserve schools

Money, manpower, equipment, and military construction required to begin implementation of this plan are included in the FY 1987 budget request. Even though the plan is not fully funded, approximately $185 million dollars will be available to begin the plan's implementation in FY 1987.

Special Training

The Army Reserve contains combat, combat support, and combat service support units that will, on mobilization, form a major part of the Total Army. Since 1981 the Army Reserve mission has continued to expand, and that portion of the total force that will be made up of Army Reservists has grown. Special Training funds pay for those unit activities required to prepare the Army Reserve force structure to meet these missions.

ROUTINE MAINTENANCE

Special Training allows Army Reserve units and unit personnel to perform routine management and day-to-day maintenance and operational tasks during periods other than their regularly scheduled monthly drills and annual training. This capability allows monthly drills and annual training to be dedicated primarily to individual and unit mobilization training thus enhancing readiness. This area of Special Training has grown significantly during the past few years because of growing requirements in management and routine unit operations. In addition to these types of activities, Special Training also pays for:

- Planning for Army Reserve schools and preparation and updating of courses of instruction.

- Acquisition of foreign language skills for intelligence personnel.

- Developing unit mobilization plans and deployment training requirements.

- Participation in Joint Chiefs of Staff (JCS) intraservice and interservice training exercises.

- Supervision by command and staff personnel to ensure wartime task training is being effectively carried out.

School Training

Increasing requirements for Army Reservists to spend more time on active duty participating in military schooling, and the resulting expansion of the Army Reserve school system, has caused continued significant growth in the School Training Program. School Training funds provide Army Reserve troop unit soldiers with training in the military skills required upon mobilization. They also provide funds for career development schooling needed to enable Reserve soldiers to assume progressively higher levels of responsibility in the Total Army. Professional development training is a mandatory requirement for Army Reserve officer promotion and subsequent retention in the Army Reserve.

Funding in the School Training account in FY 1986 and to FY 1987 will support many of the highest training priorities of the Army Reserve. This funding, combined with intensified school management is expected to improve qualification rates, officer promotion selection rates, and overall retention rates in the Army Reserves.

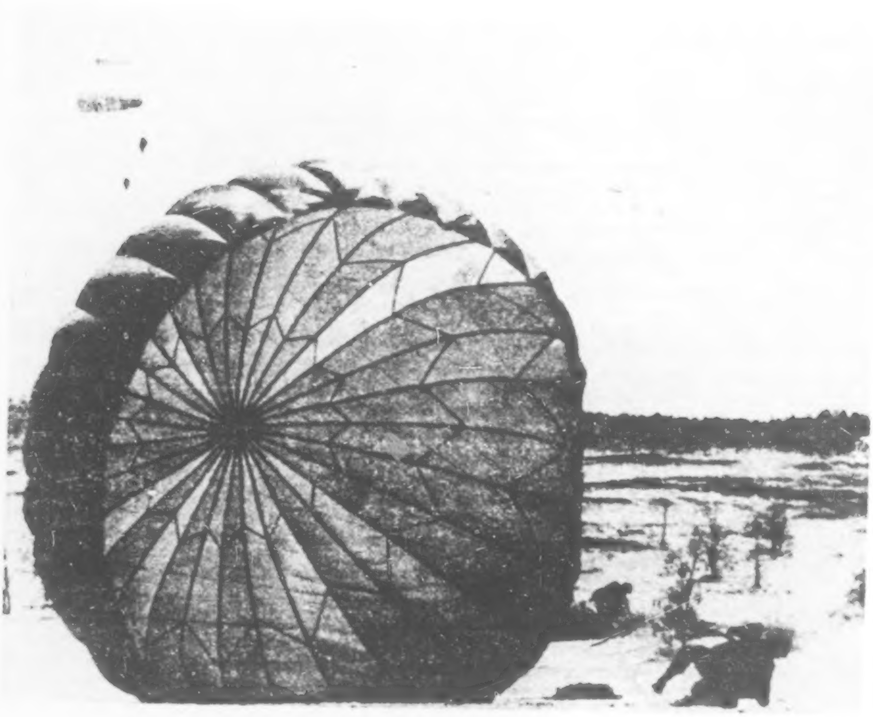
There is continuing need for Army Reserve personnel to participate in resident training to maintain required standards of proficiency with new systems and technology. The increased support by the Congress for School Training funds has provided more effective resident training opportunities to a growing nummber of Reservists and has significantly improved their mobilization readiness.

Additional Training Assemblies

As the mission, responsibilities, and training tempo of the Army Reserve grow, the significance of additional drill assemblies (ADA) for its troop program units also grows. Increases in full time support personnel for troop program units have emphasized the need for additional drill assemblies by identifying more training and management requirements within units. There are several types of ADAs currently in use by Army Reserve troop program units.

- **Additional Flight Training Assemblies** -- Each Army Reserve unit aviator is authorized up to 24 additional training assemblies annually to maintain his flight proficiency.

- **Additional Assemblies for Nuclear Training** -- These additional training assemblies, first authorized in 1985, are used to maintain selected unit members' nuclear weapons employment planning skills. Four additional assemblies each year are authorized for each selected unit member.



ATA'S
FOR AIRBORNE TRAINING

- **Additional Airborne Unit Training Assemblies** - Personnel of Army Reserve airborne units are authorized six additional training periods each year to maintain their airborne skills.

- **Additional Training Assemblies** -- Selected unit members are authorized up to 12 additional training assemblies annually for training planning and preparation.

- **Readiness Management Assemblies** -- New to the Additional Drill Assemblies Program, these assemblies are used to accomplish routine management tasks within units to allow more monthly training periods and annual training time for individual and unit mission training. Selected unit members are authorized up to 12 additional training assemblies annually.

Continued support for these programs is essential to continue to improve and maintain USAR readiness.

Physical Training

The Army Reserve continues to administer the Army Physical Readiness Test (APRT) to eligible troop program unit members and to require the APRT for Individual Mobilization Augmentee members during their annual training and for eligible IRR members when they perform active duty for training. During FY 1985 and FY 1986, the Army Fitness School and Research Institute developed and implemented a special program for training Army Reserve master fitness trainers. These Army Reservists will provide battalion level units with experts in developing and monitoring physical training within the unit. Expansion of the placement of master fitness trainers to separate companies and detachments and the continued distribution of a number of fitness publications to individual Reservists and Reserve units are planned for FY 1987. These initiatives will assist Army Reserve commanders in improving their soldiers' mobilization readiness and their awareness of the importance of physical conditioning and good health habits.

PHYSICAL READINESS TESTING

All soldiers age 40 and over are required to undergo cardiovascular screening before taking part in the Army Physical Readiness Test (APRT). In July 1984, the Vice Chief of Staff of the Army made the decision that the 40 and Over Cardiovascular Screening Program should be expanded to include all Reserve Component soldiers. In order to comply with this decision, a pilot program for Reserve Component personnel aged 40 and over is being conducted in the Commonwealth of Virginia to determine the feasibility of the four-phase Cardiovascular Screening Program for all Reserve Component soldiers. Based on the results of the pilot program, the Cardiovascular Screening Program will be expanded, modified, or deleted as a requirement for Reserve Component personnel. Funding will be required for all phases of cardiovascular testing permitted by law. In addition, a change in those laws regarding health benefits and compensation for disability resulting from the screening program is required. A Reserve force that is physically fit will be better able to perform its mission for a sustained period of time in the event of war. This screening effort will allow Reserve Component soldiers to exercise to a high level of fitness and will result in an Army Reserve that is ready, responsive, and responsible.

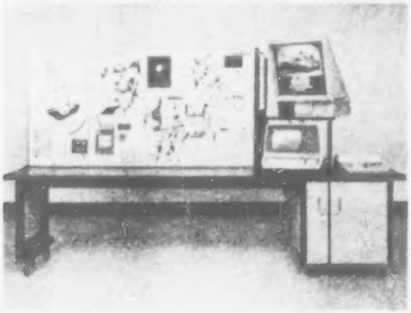
CARDIOVASCULAR SCREENING

The Army Physical Readiness Test, used for evaluating physical readiness in the Total Army, will be made more difficult in FY 1987. Increasing the number of repetitions of push-ups and sit-ups and lowering the time in which two miles must be run will make the test considerably more challenging. The Army Reserve will use the new test and meet the same standards as the Active Army.

RESCREEN & SQUARE HALFTONES

Training Equipment/Simulators

The support-heavy structure of the Army Reserve encompasses a wide assortment of logistics, medical, and other wartime support functions, as well as infantry, armor, aviation, signal, special forces, and other combat units. Much of the equipment in the Army Reserve was displaced from Active units and is used for training. In many instances, however, CAPSTONE alignments for wartime conditions will require immediate Reserve force support to maintain and operate different modern equipment. To correct this type of equipment mismatch, the issuance of training devices for the Reserve Components has been directed. Priority for device acquisition for the Reserve Component has been elevated to enable equal competition with other Army requirements.



M1 TURRET ORGANIZATIONAL MAINTENANCE TROUBLESHOOTING TRAINER

Simulators

The Office of the Chief, Army Reserve, in coordination with US Army Forces Command, participates in determining requirements, developing distribution plans, and tailoring device hardware to best support unit missions. Training devices included in the current program include the Multiple Integrated Laser Engagement System (MILES) which can be used in local training areas and other facilities otherwise unusable due to live-fire restrictions; maintenance trainer systems such as turret mock-ups and troubleshooting flat panel trainers for M-1 tanks; M2/3 Bradley Fighting Vehicles to provide mechanics with hands-on training on state-of-the-art equipment; Mobile Conduct of Fire Trainers (MCOFT) to maintain perishable gunnery skills by incorporating mobile capability to specifically support Reserve Component units; and Army Training Battle Simulation Systems (ARTBASS), van mounted training devices designed to allow command and staff personnel to realistically exercise and prepare for real world contingencies. Funds programmed in FY 1986 for RC training devices totalled $99.8M. Deliveries of the devices mentioned above and others will begin in FY 1987.

Training devices procured with FY 1986 funding, totalling some $99.8 million, will find their way into the support system over the next several years. Many of these devices are programmed for joint use by the Army National Guard and Army Reserve in regional maintenance training sites (RMTS). As these and other training areas begin operation in FY 1986, other training devices which meet total RC needs are being evaluated to enhance a balanced and cost-effective approach to training.

Medical Training

Several training programs have enhanced the readiness of medical personnel in the Army Reserve. Some of these programs are directed at flexible training options, others are designed to develop, augment, or sustain military medical skills; some emphasize military (soldier) skills, while others are designed to provide realistic training experiences. Flexible training programs offered at unit, regional, or national level have counteracted the attrition of medical personnel from medical units by allowing selected medical specialties the option of training on a schedule mutually agreeable to the unit and the individual.

MEDICAL TRAINING

Flexible training options should also encourage new health care providers to join the Army Reserve and inspire those currently in the force to remain. One program in particular, the NURSEDETS (Nurse Detachments) Program for Operating Room (OR) nurses and nurse anesthetists, allows flexibility in training by assigning qualified OR nurses and nurse anesthetists to a unit anywhere in the Army Reserve with a vacancy in their specialties, subsequently attaching them to a local unit for administrative purposes, and then permitting them to perform their Reserve duties in a local military medical treatment facility. Plans for expansion of the NURSEDETS Program include the addition of other nursing specialties and the expansion beyond the Army Reserve troop units into the IRR. The Reserve Component Operating Room Nurse Course will produce 30-40 new operating room nurses each year.

The increased emphasis, and mandatory requirements for some courses, on basic and advanced NCO/officer training will lead to better trained and better informed Army Reserve leaders in the Army Reserve Medical Corps. Increased use of overseas deployment training and other unit and individual training experiences will ensure a greater state of readiness for members of the Army Reserve in the Medical Corps. With resident and nonresident courses available for initial and advanced training of medical personnel, the number of trained medical Reserve personnel should increase. With the increased emphasis on sustainment of medical skills, the Army Reserve should have the qualified medics--in units and the IRR--it needs for mobilization.

Overseas Medical Training

In the past few years, Medical Corps officers have served in Europe with British Reserve medical units. In FY 1985, physicians also served short tours of duty in Korea. Personnel from several Army Reserve units have served in Central America with Joint Task Force Bravo. Other exercises with Army Reserve medical participants have included WINTEX, TEAM SPIRIT, BRIGHT STAR, YAMA SAKURA, REFORGER, and BATTLE BOOT. Individual Ready Reservists have spent training tours of 179 days in the US Army Hospital element at Palmerola, Honduras.

FIELD MEDICAL TRAINING

Officer Training

Mandatory resident skill qualification training for Army Reserve Component officers was approved in 1984 in order to improve the quality of their military education. The Reserve Component officer basic course has been lengthened to a minimum of eight weeks. All newly commissioned officers are now required to attend a resident officer basic course at their branch service schools. The previous option of correspondence course study has been dropped. The Army believes that a resident training experience at an Army branch service school is necessary for the new appointee early in his career. All Army officer basic courses have been revised to accommodate this training requirement. Branch officer advanced courses have also undergone major revisions to provide more up-to-date training.

Completion of an officer advanced course now requires a minimum of four weeks in residence, replacing the previous 100 percent correspondence option. Resident advanced courses are being revamped to expand the curriculum to a minimum of fourteen weeks. In keeping with the Total Army policy, Army Reserve officers are fully integrated with Active Component officers in all resident schools. All officer advanced courses completed through a nonresident option will require a minimum of two, two-week ADT phases in residence at proponent service schools for study of specific branch subjects and for training which cannot be effectively presented through correspondence courses.

The improvement in professional military competence associated with this increased resident training requirement is expected to be significant. Individual Reserve Component officers will be better prepared than ever before to lead their soldiers, and their units' readiness for mobilization, deployment, and combat should improve proportionally.

Warrant Officer Program

Effective 1 October 1985, direct appointments to warrant officer in the Reserve Components were discontinued. Soldiers desiring warrant officer appointment now must complete the triple check process which requires:

a. selection by board action

b. completion of the Warrant Officer Entry Course, and

c. completion of technical certification training.

The required training must be completed within two years of selection for the Warrant Officer Candidate Program. Upon satisfactory completion of the training program, soldiers are appointed as Army Reserve warrant officers.

Senior Service College

Army Reserve officers continue to participate in resident and nonresident programs of the Army War College, National Defense University, and the College of Naval Warfare. Efforts are ongoing to continue expanded participation in various senior service college programs. There is a distinct advantage gained by both the Reserve student and his active duty counterpart through the mutual exchange of views which leads to a clearer understanding of the complementary nature of the Active and Reserve Components.

NCO Training

Army Reserve NCOs are now required to complete NCOES course at their current grade before promotion to the next higher skill level. This philosophy underscores the commitment by the Army Reserve to improve its NCOs' technical competence. Required NCO professional development courses will improve the tactical and battlefield leadership and survival skills of our NCOs. By FY 1990, the NCOES program of instruction will be reconfigured specifically for the Reserve Components. The Army Reserve has established a management and coordination office for NCO professional development at ARPERCEN to ensure the right soldiers receive the right training at the right time.

NCOES TRAINING

Sergeants Major Academy

Army Reserve participation in the resident and nonresident programs of the US Army Sergeants Major Academy (USASMA) has significantly increased from 1981 to 1986. The number of Army Reserve NCOs participating in the resident course has increased nearly threefold, and nonresident course enrollment has increased by more than 40 percent. Expansion of USASMA's Total Army instructional facilities located at Ft. Bliss, Texas will provide increased programmed participation for the Army Reserve in FY 1988. In FY 1986, Army Reserve NCOs also have participated in the USASMA First Sergeants Course.

Beginning in late FY 1986, Army Reserve NCOs will participate in the USASMA Operations and Intelligence Course. The course will develop senior NCOs serving in battalion/corps level operations and intelligence positions, and enhance Army Reserve readiness by substantially improving the skills of senior NCOs. Increased emphasis upon advanced resident NCO training will increase the professional qualifications and mobilization readiness of our Reserve NCO corps and those whom they lead.

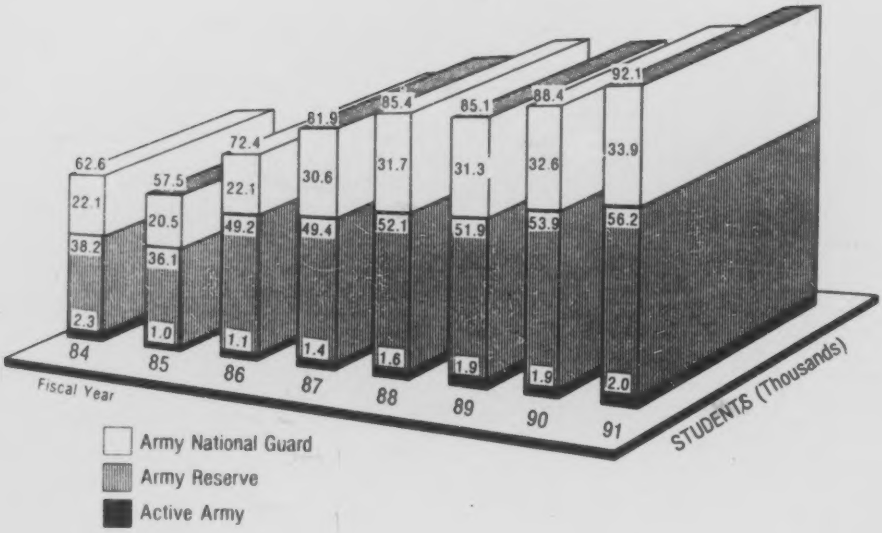
Centralized School Training Management

Since 1981, improvements have been made in the management of Army Reserve resident course training needs. From a decentralized system in which many commands reported requirements and allocations, the Army Reserve has moved to an automated system which identifies all requirements for both nonprior service accessions and in-service ADT training of unit and IRR personnel.

Utilization of available service school courses continues to show a dramatic improvement due to centralized requirements development and greater publicity of various course opportunities for Army Reserve units and individual soldiers. Increased resident schooling opportunities will allow the Army Reserve soldier to receive the same training on new equipment and doctrine as his Active Component counterpart.

During FY 1987, a fully centralized school training management system for all resident service school requirements is expected to be operational at ARPERCEN. Under this system, quota management and allocation, ADT orders' publication, and funding will be centrally managed at ARPERCEN to support the resident school training needs of both unit and IRR soldiers. This will enable a closer programming of training requirements and supporting funds, increased cost-effectiveness, and more timely responsiveness to the training needs of the individual soldier.

U. S. ARMY RESERVE
SCHOOL ENROLLMENTS



Army Reserve Schools

Army Reserve schools operate as troop units to provide requisite military education to members of the Army Reserve, the Army National Guard, and the Active Army. Army Reserve schools offer training in the Command and General Staff Officer Course, officer advanced courses, enlisted MOS courses, and NCO leadership courses of the Noncommissioned Officer Education System (NCOES). Particular emphasis and direction is toward MOS and NCOES courses, which on the average comprise 70-75 percent of our total enrollment.

During the 1970's, the 91 US Army Reserve schools had an authorized strength of approximately 6,000. In FY 1986 the combined staff and faculty strength is 10,132 with a projected need of approximately 18,000 by FY 1992. The growth of the Army Reserve schools staff and faculty represents a strong commitment by the Army to providing an increasing variety of quality educational opportunities for all of its soldiers. Such growth is an investment in future competence and mobilization readiness.

Individual Ready Reserve Training

A wide variety of opportunities to train and to develop professionally are afforded to IRR soldiers. While mandatory training of the IRR has upon occasion been proposed as a solution to IRR training needs, it must be recognized that current funding levels do not permit training for all IRR soldiers who volunteer for training.

IRR Training Plan Options

~~For~~ training purposes the IRR Training Plan divides the IRR into twc groups. One group is intensively managed and trained; the other group is made up of all remaining IRR mobilization assets. The Department of Army will prioritize mobilization requirements, and US Army Training and Doctrine Command will establish screening criteria to define the type and quality of soldiers to be selected and trained within each career field and specialty.

Having established the requirement for training and systematically selected the soldier to be trained, the plan provides for a variety of innovative training opportunities and techniques.

* **Lieutenant Training.** ARPERCEN's Lieutenant Management Program has several initiatives in development which will provide education and experience to Reserve Forces Duty (RFD) lieutenants beyond the level of the officer basic course. For example, the Reserve Officer Mobilization Training (ROMT) Program, now in its pilot phase, places RFD lieutenants on indoctrination tours of up to 179 days as platoon leaders with Active Army units, prior to their assignment to Army Reserve troop program units (TPU).

* **Troop Unit Vacancy Fill.** ARPERCEN's officer personnel managers are continuously informed of officer vacancies in Army Reserve troop units and constantly seek qualified IRR officers to fill these vacancies. Generally, the final decision on vacancy fill rests with the unit commander. ARPERCEN ensures the commander has as many options as possible and that available IRR officers are informed of unit assignments for which they are qualified.

* **IMA Program Fill.** The Individual Mobilization Augmentation (IMA) Program, in addition to its critical mobilization role, is a source of excellent training for qualified IRR officers and enlisted personnel. Besides serving a minimum of 12 days each year with their units of assignment, IMA Reservists frequently perform special projects for participation points only and may undertake other training related to their assignment as well. The program is expanding as more Active Component unit positions are authorized for IMA fill upon mobilization.

- **Counterpart/Mobilization Readiness Training.** This is the primary method of IRR training. Individual Reservists volunteer for ADT tours of from 12 to 35 days to train on-the-job in their military skills. ARPERCEN arranges such training for all skills, all grades, all seasons of the year, and in virtually every MACOM and geographic area.

- **Professional Development/Education.** IRR soldiers are required to meet the same military education standards as other Reservists. ARPERCEN receives quotas for courses and fills the seats with IRR soldiers based upon the same professional development criteria used throughout the Army.

- **Continuing Health Education.** Army Reserve medical professionals, including those in the IRR, attend educational training which meets American Medical Association requirements for continuing medical education. The medical professional, either officer or enlisted, can select from a wide variety of military or civilian sponsored training opportunities. Military conferences, symposia, and seminars are sponsored by the AMEDD Professional Post-Graduate Short Course Program and include both Army and tri-service programs.

- **REDTRAIN.** A variety of training activities for Army Reserve intelligence personnel takes places under this program. The training varies in length and type and is tailored to preserve the specialized expertise of Reservists with technical intelligence skills.

- **Mission Support Training.** This type of training permits the Army Reserve to provide its own expertise to support its own programs on a short-term basis. Special Active Duty for Training (SADT) tours of up to 179 days may be authorized for specific duties in support of annual training, Reserve participation in exercises, and other activities. Funding is provided by the requesting command.

New IRR Training Programs

Division Attached Ready Reserve Training (DARRT) attaches Individual Ready Reserve (IRR) officers for training with Active Component divisions and separate brigades. The program enables Reservists to exercise their doctrinal and tactical proficiency in progressive assignments very similar to those they could be expected to perform in case of war.

The pilot program will train approximately 800 qualified combat and combat support officers at Fort Hood, TX and Fort Ord, CA. During the pilot phase, DARRT participation is limited to officers. Enlisted Reservists will be able to train as part of DARRT as soon as feasible.

Ground Liaison Operations (GLO) is an innovative program developed in response to the Air Force Reserve's request for ground liaison support. IRR air defense officers are attached to tactical Air Force Reserve units on a "year-around" basis and can train in their primary mission skills while assisting the Air Force Reserve in its tactical joint exercise procedures.

Since its inception in December 1984, GLO has expanded to 112 attachments with tactical Air Force Reserve units throughout the country. GLO is envisioned to expand to include an additional 107 positions with Military Airlift Command and Air Force electronic warfare units. Long-range objectives for GLO include the incorporation of enlisted personnel into a ground liaison intelligence team (GLINT) attached to each Air Force Reserve or Air National Guard unit participating in the program.

LOGISTICS

Equipment is the next essential ingredient of readiness, since trained personnel must have the equipment needed to perform their wartime mission. It should be noted that often in the unit status reporting system the equipment on-hand portion is misleading. Units must have on-hand or available the quantity, type, and quality of equipment necessary for training. The remainder of the units' wartime equipment requirements must be made available to the unit upon mobilization prior to deployment in order that the unit can perform its wartime mission.

EQUIPMENT MODERNIZATION

Priorities

Total Army equipment distribution policy is that the first unit to fight is the first unit equipped regardless of component. In addition, the Army has a "distribution to readiness" approach. Units now have three categories of equipment identified by readiness codes - (ERC) A, B, or C; these codes reflect the criticality of an item to a unit in combat. ERC-A items are mission-essential such as wire and associated equipment in Signal units and ammunition vehicles in Field Artillery units, and are used to determine the unit's readiness status rating. The new policy provides ERC-A equipment requirements regardless of component, before distribution of scarce resources to fill less critical ERC-B or ERC-C shortages such as wire and associated equipment to non-Signal units or individual weapons to non-combat units. This policy should provide more equipment to the Reserve Component, without degrading to Active Component readiness.

Dedicated Procurement

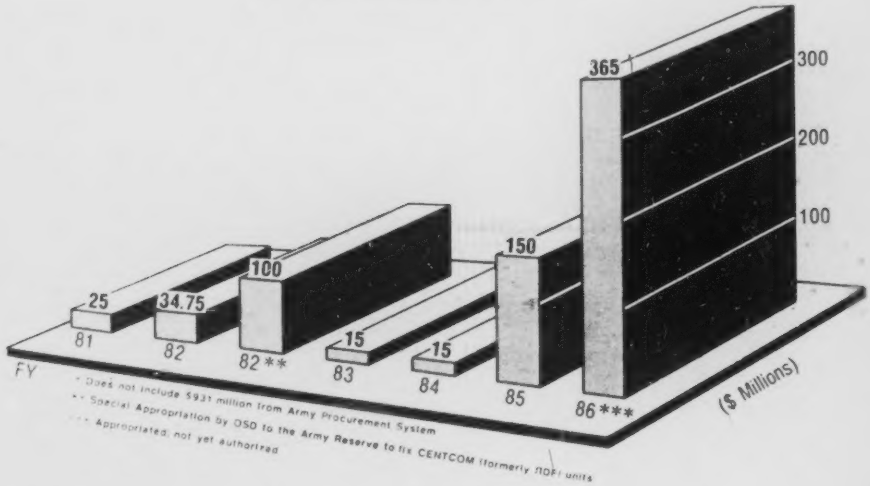
Significant progress has been made in obtaining substantial quantities of more modern equipment for the Army Reserve. Since 1980, the Army Reserve has received over $705 million in dedicated procurement funding as a result of Congressional and OSD initiatives. Consequently, the dollar value of equipment issues to the Army Reserve increased from $60 million in FY 1982 to $95 million in FY 1983 and $150 million in FY 1984. In FY 1985 equipment issues to the Army Reserve exceeded $150 million. For FY 1986, the Congress has appropriated $365 million for Army Reserve equipment. This is in addition to redistribution of Active Component equipment and equipment valued at $931 million from the Army procurement system.

As a result of increased issues of critical equipment, Army Reserve units have experienced significant improvements in their readiness posture. It should also be noted that as a result of the current unit readiness rating system's handling of the effect of such factors as mission changes, reorganizations, and the need for qualification training associated with new equipment, many improvements in actual warfighting ability wrought by this new equipment go unreported. The improvements are there; however, the system is not designed to recognize them.

U. S. ARMY RESERVE

DEDICATED PROCUREMENT PROGRAM (DPP)*

FUNDS APPROPRIATED FROM FY 81 - 86



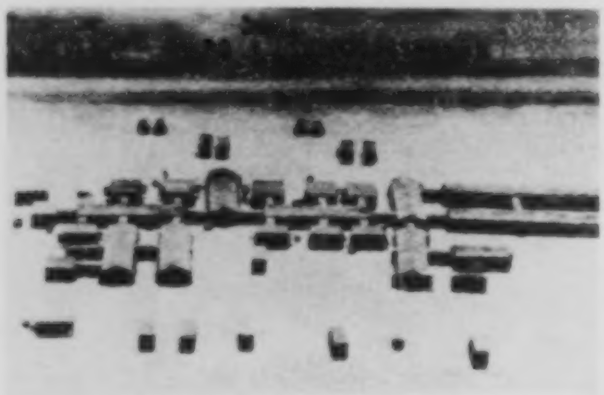
* Does not include $931 million from Army Procurement System
** Special Appropriation by OSD to the Army Reserve to fix CENTCOM (formerly RDF) units
*** Appropriated, not yet authorized

RC-TRANSMOD

The Reserve Components Transition to Modernization (RC-TRANSMOD) Program provides special tools and test and diagnostic equipment for early-deploying, non-divisional Army Reserve maintenance units to support modernized systems. Requirements are determined and documented for each unit reflecting the specific weapons systems to be supported in wartime. During FY 1986, 25 units are being equipped to support 14 modernized Army systems. This program will continue in FY 1987 to complete acquisitions for the original 25 units and to acquire support equipment for nine additional units and nine additional Army systems.

Medical Equipment

Medical equipment for wartime, and training sets for peacetime, have always been a priority need for medical personnel in the Army Reserve. A new system of field medical equipment, Deployable Medical System (DEPMEDS), has been ordered for all components of the Army. This new equipment system is designed to be compatible with medical equipment currently being procured by the other uniformed services. DEPMEDS training sets and regional medical training centers are being developed for peacetime training of medical soldiers. In the later part of the decade, the DEPMEDS equipment will start coming off the production line. It will be stored in depots in the United States, in the regional medical training centers, and at selected overseas locations.



DEPLOYABLE MEDICAL SYSTEM

(DEPMEDS)

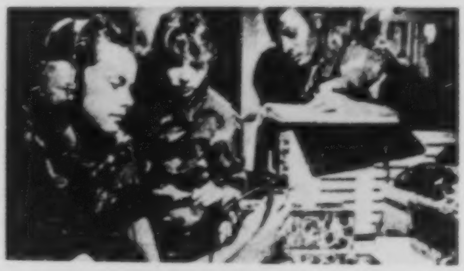
SHELTERS

Psychological Operations Equipment Maintenance

Frequently, installation support activities cannot adequately support currently available Psychological Operations equipment systems due to age and obsolescence and the resultant lack of repair parts, tools, and special skills. The average age of Army Reserve psyops equipment is nearly 17 years. In FY 1983-1984, the Army Reserve provided depot maintenance funds for an extensive upgrading program for its printing plant systems and depot overhaul of its radio transmitters. The funds also provided on-site depot contact team support of equipment on a continuing basis. The depot overhaul/ upgrade of the light and medium print plants includes the installation of modern photo-typesetter in the psychological operations shelter. This Army Reserve depot maintenance initiative provides a temporary fix for psychological operations equipment systems until the modular print plant and improved radio transmitters are fielded. The mission of Army Reserve psychological operations units requires modern technology. To that end, the Army Reserve will continue to use depot maintenance funds to maintain psychological operation units' equipment readiness.

Electronics Maintenance

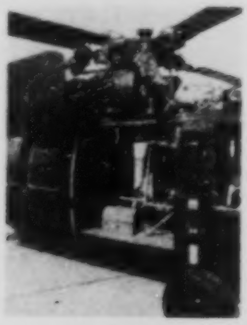
Under the US Army Communications-Electronics Command's coordinated logistics support and shelter repair total assembly programs, the Army Reserve upgrades its communications-electronics equipment. During FY 1984, Army Reserve units' communication and electronics equipment sets underwent a complete inspection evaluation and were scheduled for depot maintenance. In late FY 1985 the Army Reserve began cycling communications-electronics equipment into the repair program. By the end of FY 1986, the Army Reserve plans to complete repair of over 450 items of communication-electronics equipment. The program provides for direct exchange of items to provide quick turn around to owning units. Items that cannot be exchanged are being repaired as part of the depot repair and return program. This approach improves unit readiness and ensures equipment availability for training.



ELECTRONIC EQUIPMENT MAINTENANCE

Aviation

Army Reserve aviation assets are old and becoming increasingly difficult to maintain. The Army Reserve's fixed wing fleet is between 25 and 30 years old. Extensive upgrading of the existing U8 (fixed wing) fleet has been undertaken because newer U21 and C12 aircraft have not yet been programmed for the Army Reserve. These upgrades use dedicated procurement funds to purchase new avionics packages for all Army Reserve U8 aircraft. An engine and propeller upgrade for the U8 fleet is also being funded through the depot maintenance program. Although repair parts will become increasingly difficult to obtain as both the fixed and rotary wing fleets age, the Army Reserve will continue to maintain its aviation fleet with depot maintenance funds.



AVIATION MAINTENANCE

The goal of modernizing the Army Reserve aviation fleet depends totally on the procurement of new aircraft. Faster direct issue of greater quantities of new aircraft to the Army Reserve or to the Active Component (with the displaced aircraft coming to the Army Reserve) would accomplish that goal. Constant upgrading has reduced the problems in some areas temporarily; however, provision of more modern aircraft is the only way to upgrade the Army Reserve's aging aviation fleet.

The success of aviation maintenance training depends on the issue of the latest aircraft and the support equipment to aviation intermediate maintenance (AVIM) units. Without this equipment available for training, AVIM units will not be able to accomplish their wartime mission. In FY 1983-1984 the first UH60 helicopters were provided to the Army Reserve. Four of the five Army Reserve AVIM companies each received a UH60 to use for maintenance training to meet their wartime mission requirements. These UH60's, part of an operational readiness float (ORF) program, are received, repaired, and returned to supported Active Component units. The balance of the Army Reserve rotary wing fleet consists of aging UH1H, OH58A, and the CH47A and B helicopters.

AVIATION TRAINING

If Army Reserve aircrews are expected to be a combat multiplier to the total force, they must be able to correctly utilize aircraft survivability equipment (ASE) systems prior to entering a battlefield environment. Expedited procurement of ASE items is needed for the Army Reserve. These items include radar warning receivers (RWR), infrared (IR) exhaust suppression systems, IR jammers, and dispensers for chaff and flares. Another system related to ASE permits Army Reserve aircrews to validate their terrain flying skills in a realistic, high threat, air defense environment by using a simulator threat radar tracking system. This system, the tactical radar threat generator AN/VPQ-Z (GREATA), has not yet been acquired for issue to the Army Reserve, nor is the system available for training Army Reserve aircrews.

Clothing

The battle dress uniform and other organizational clothing and individual equipment (OCIE) continues to be issued to Army Reserve troop unit members. In the future, the following items will be issued: the Personnel Armor System Ground Troop (PASGT) helmet, combat vehicle crewman uniform, extended cold weather clothing, and the PASGT vest.

BATTLE DRESS UNIFORM

CHEMICAL PROTECTIVE BATTLE DRESS
OVERGARMENT

Other programs also contribute to enhanced readiness and sustainabilility of Army Reserve units. One such program is the issue of the Army new camouflaged chemical protective battle dress overgarment (BDO).

During FY 1985, 17,000 sets of BDOs were issued to the Army Reserve; and plans call for completing the initial issue balance of 133,000 to the Army Reserve in FY 1987. Additional nuclear, biological, and chemical warning, detection, and decontamination items are also programmed for distribution to the RC during this period.

Minimum Essential Equipment for Training

Modernizing the Army Reserve with more equipment delivered sooner has been accomplished by the Minimum Essential Equipment for Training (MEET) Program. The readiness of Army Reserve units has increased because MEET sets distribution of equipment apart from the normal equipment readiness code-A (ERC-A) requirements. Early fielding is accomplished with equipment from planned procurement, existing stocks, and redistribution. The MEET system is expected to significantly improve Army Reserve mobilization readiness training.

MOBILIZATION

The final ingredient of readiness is our ability to mobilize. The transition from a peacetime reserve status to a wartime active status is a complex process which must be as carefully planned, practiced, and critiqued as any battlefield maneuver. Moreover, just as battlefield operations involve units and individual soldiers, so too does the preparation for mobilization. The Army Reserve in peacetime continues to prepare its units and its individual members for the critical process of mobilization.

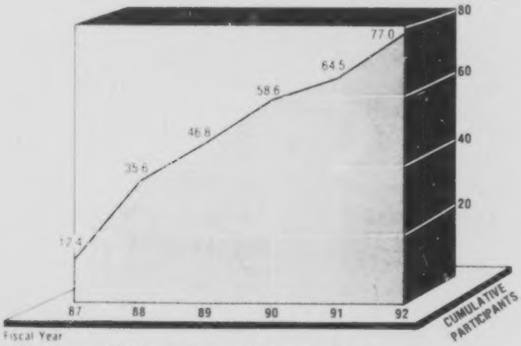
Mobilization Exercises

Mobilization exercises are a critical element in improving of Army Reserve readiness. While the Army Reserve is more ready to mobilize and deploy in 1986 than ever before, further improvement of these capabilities is still required to keep pace with modernization. The Office of the Chief, Army Reserve has recently developed a series of Army Reserve mobilization exercises which will involve nearly 77,000 personnel in about 600 early deploying units between FY 1987 and FY 1992. The plan calls for a different Continental US Army (CONUSA) to be exercised each year starting with the highest density CONUSAs on the East Coast. The units which will be tested include those in the M+10 Essential Force, CENTCOM, and the theater defense brigade.

Army Reserve participation in biennial command post mobilization exercises such as NIFTY NUGGET, PROUD SPIRIT, and PROUD SABRE, increases our ability to respond while decreasing required response time. These exercises have also identified problem areas in documentation procedures, training, equipment, facilities, and strategic lift. As a result, Army Reserve units have implemented many corrective measures, including the development of mobilization plans intended to ensure that all deficiencies discovered in previous exercises have been eliminated if possible, or if they cannot be eliminated, addressed in detail.

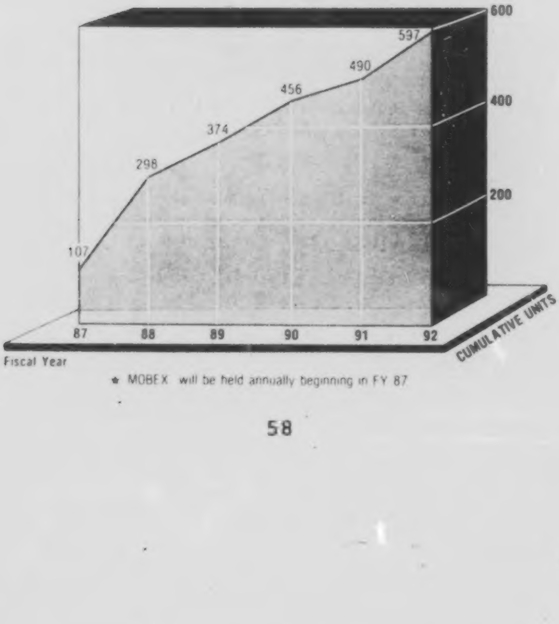
These biennial exercises enable entire Selected Reserve units to test field mobilization procedures. Subsequent exercises will involve alert, assembly, processing, uploading, and movement of Army Reserve units from home station to their mobilization stations, and will provide realistic preparation for actual full scale mobilization exercises programmed to begin in FY 1987. Full scale mobilization exercises will eventually include deploying most units in the Army Reserve and moving them to their overseas CAPSTONE commands.

MOBEX PARTICIPATION *
(PROJECTED)



* MOBEX will be held annually beginning in FY 87

MOBEX PARTICIPATION *
(PROJECTED)



* MOBEX will be held annually beginning in FY 87

Medical Initiatives

The Army Reserve's cardiovascular screening program, once fully implemented, will be a major step toward ensuring that our soldiers are physically ready to perform when mobilized. Plans are being completed to ensure that all Army Reserve soldiers' personnel files contain required dental x-rays and records prior to the initiation of any mobilization process. The Army is also preparing to screen all of its personnel, including its Reserve Components' members, for Acquired Immune Deficiency Syndrome (AIDS) in order that they may be safely deployed overseas, and to ensure the integrity of the replacement blood supply for our soldiers in wartime. This screening process will begin in the Army Reserve this year.

Family Mobilization Readiness

The Army Reserve is also working to prepare its families for the mobilization process. Army Reserve dependent ID cards are being issued to eligible family members and contingency dependent benefit eligibility enrollment is also being carried out. *The Family Assistance Handbook for Mobilization*, which outlines various recommended legal and financial planning actions, has been widely distributed to Reserve soldiers, and many Army Reserve units annually sponsor family mobilization preparation seminars for their members. Articles on the need for family preparation for the mobilization process also are published regularly in the *Army Reserve* magazine.

CONSTRUCTION

New Facility Construction (FY 1985)

During FY 1985, the Army Reserve constructed six new training centers and upgraded and expanded 24 more. Two multipurpose training ranges were also constructed. Design of major construction projects is being accelerated to have projects 100 percent designed and ready for contract at the time the program is approved by Congress.

Location	Project
Alabama, Birmingham	Add/Alt to 600-Mbr ARC
California, Chico	Add/Alt to 100-Mbr & 400 Mbr ARC
Connecticut, Middletown	150-Mbr ARC
Delaware, Seaford	Add/Alt to 200-Mbr ARC
Florida, Milton	60-Mbr ARC
Orlando	Add/Alt to 400-Mbr ARC
Idaho, Rexburg	Add/Alt to 60-Mbr ARC
Indiana, Indianapolis	Add/Alt to 600-Mbr ARC
Kentucky, Owensboro	Add/Alt to 150-Mbr ARC
Louisiana, Alexandria	Add/Alt to 100-Mbr ARC
Lafayette	Add/Alt to 400-Mbr ARC
Monroe	Add/Alt to 200-Mbr ARC
Michigan, Ann Arbor	Add/Alt to 100-Mbr ARC
Missouri,Richards-Gebaur AFB	Convert to 800-Mbr ARC
New Hampshire, Keene	Renovate 100-Mbr ARC
New Mexico, Las Cruces	Add/Alt to 150-Mbr ARC
New York, Fort Drum	Multi-Purpose Training Range
North Carolina, Concord	100-Mbr ARC
Ohio, Springfield	Add/Alt to 150-Mbr ARC
Pennsylvania, Farrell	Add/Alt to 400-Mbr ARC
Rhode Island, Cranston	Add/Alt to 300-Mbr ARC

New Facility Construction (FY 1985)

Location	Project
South Carolina, Greenville	Add/Alt to 300-Mbr ARC
South Dakota, Aberdeen	Add/Alt to AFRC
Tennessee, Nashville	Add/Alt to 1000-Mbr AFRC
Texas, Dallas-Herzog	Add/Alt to 300-Mbr ARC
Waco	Add/Alt to 200-Mbr AFRC
Utah, Salt Lake City	Add/Alt to 300-Mbr ARC
Virginia, Fort Pickett	Range Facilities
Wisconsin, Beaver Dam	60-Mbr ARC/Storage Bldg
American Samoa	150-Member ARC

New Facility Construction (FY 1986)

In FY 1986 construction of six new replacement centers, one specialized training facility for military intelligence specialists, and one equipment concentration site will begin. Additionally, work will begin on the modernization and expansion of 12 existing Army Reserve centers.

Location	Project
Alabama, Anniston	Add/Alt 300-Mbr ARC/OMS/AMSA/ECS
Colorado, Rocky Mt Arsenal	800-Mbr ARC w/OMS
Florida, Jacksonville	Add/Alt 200-Mbr ARC/OMS
Tallahassee	Add/Alt 400-Mbr ARC/OMS
Illinois, Fort Sheridan	Military Intel Cons. Facility
Iowa, Davenport	Add/Alt 500-Mbr ARC/OMS
Maryland, Fort Meade	Add/Alt 1200-Mbr ARC/OMS
Missouri, Ft Leonard Wood	200-Mbr ARC
Montana, Billings	Add//Alt 200-Mbr ARC/OMS/AMSA
New Mexico, Albuquerque	Add/Alt AFRC/OMS/AMSA

New Facility Construction (FY 1986)

Location	Project
Pennsylvania, Reading	400-Mbr ARC w/OMS/AMSA
Texas, Brownsville	200-Mbr ARC Add/Alt OMS
Utah, Fort Douglas	Alt 1500 Mbr ARC/OMS
Virginia, Fort Belvoir	Add/Alt 1000-Mbr ARC w/OMS
Guam, Barrigada	Add/Alt 100-Mbr ARC

New Facility Construction (FY 1987)

The FY 1987 budget request for Military Construction, Army Reserve will support construction of eight new replacement centers, two equipment concentration sites, one specialized training facility for intelligence personnel, two local training areas, and the modernization and expansion of 12 other centers. The Army Reserve has a significant backlog of construction requirements that need to be addressed in the coming years. Many of our existing facilities are quite old, inefficient, and far too small to accommodate the current full time work force or to store equipment needed for training. Additional construction will also be needed to facilitate the storage and maintenance of new equipment being issued to the Army Reserve. A base support plan is being developed which will assess the availability of existing DOD storage facilities and identify the problems that must be remedied with new construction or the lease of privately owned facilities. As these requirements are identified, they will be integrated into the Army Reserve Construction and Leasing Program. Additional funding may be sought to support this construction. Improved facilities will provide more usable space for training, storage, and administration of Army Reserve units. Increased operational efficiency, improved morale, enhanced retention of trained assets, and increased readiness are the expected result of this investment in the future.

Location		Project
Arkansas,	Camp Robinson	Water System Improvement
	Fort Chaffee	Army Reserve Center
	North Little Rock	1500-Mbr AFRC w/OMS/AMSA
California,	Oakland	Add/Alt 1200-Mbr USARC
	Santa Ana	Add/Alt AFRC w/OMS
	Van Nuys	Maintenance Shop/Kitchen Add.
	West Los Angeles	Add/Alt 800-Mbr USARC

New Facility Construction (FY 1987)

Location	Project
Florida, Perrine	800-Mbr USARC w/Medical Wing/OMS
Illinois, Joliet	Weekend Tng Site/Ranges
Iowa, Ottumwa	Land Acquisition
Indiana, South Bend	Add/Alt 400-Mbr USARC/OMS/AMSA
Kansas, Kansas City	Add/Alt 100-Mbr USARC
Manhattan	Add/Alt 100-Mbr USARC/OMS
Parsons	Add/Alt USARC w/OMS
Maine, Saco	Add/Alt 100-Mbr USARC/OMS
Mass. Fort Devens	Equipment Concentration Site
Michigan, Kalamazoo	Land Acquisition
Saginaw	AFRC (Joint w/Naval Reserve)
Minnesota, St. Cloud	Land Acquisition
New York, Newburgh	700-Mbr USARC/OMS/AMSA
North Carolina, Durham	Land Acquisition
Fort Bragg	ECS/AMSA
Statesville	Land Acquisition
Pennsylvania, Clinton	Local Training Area
Lewisburg	60-Mbr USARC w/OMS
Schuylkill Haven	Add/Alt 200-Mbr USARC w/OMS
South Carolina, Florence	Land Acquisition
Orangeburg	Land Acquisition
Rock Hill	Land Acquisition
Texas, Camp Bullis	Military Intel Training Facility
Fort Sam Houston	Reserve Center Alteration
Sinton	Reserve Center Alteration
Utah, Provo	Storage Building
Virginia, Fort Lee	Add/Alt 400-Mbr USARC
Washington, Bothell	600-Mbr USARC
Wisconsin, Fond du Lac	150-Mbr USARC, Tank Tng Facility

New Facility Construction (FY 1987)

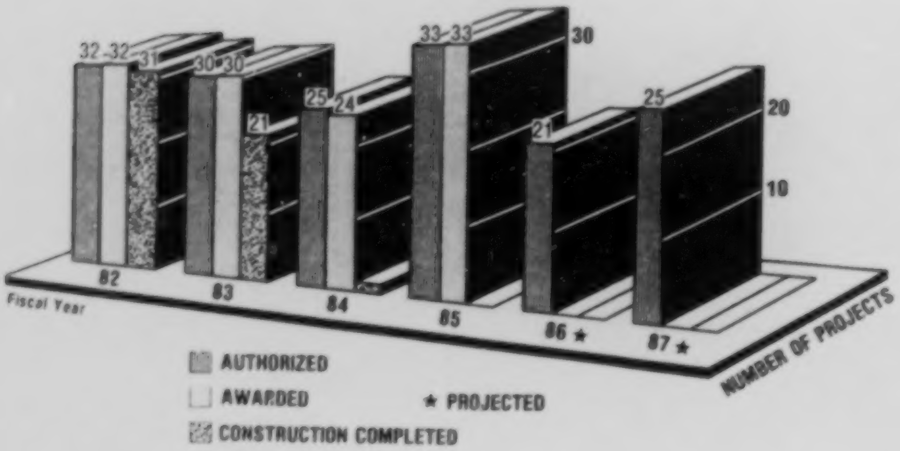
Location	**Project**
Guam, Apra Heights	ECS/AMSA w/OMS Alterations
Puerto Rico, Fort Allen	600-Mbr USARC/OMS/DS/GS/ECS

Legend:

Add/Alt -	Additions/Alterations
AFRC -	Armed Forces Reserve Center
AMSA -	Area Maintenance Support Activity
DS -	Direct Support
ECS -	Equipment Concentration Site
GS -	General Support
Mbr -	Member
OMS -	Organizational Maintenance Shop
USARC -	United States Army Reserve Center

MILITARY CONSTRUCTION, US ARMY RESERVE

PROJECT EXECUTION



CONCLUSION

These are times of progress and challenge for the Army Reserve. We are mindful of our stewardship obligations over the resources provided to improve the force as an essential element of the Total Army. In our efforts for improvement, the Army's themes of spirit, fitness, excellence, family and leadership have had equal relevance to the Reserve Components. The 1986 theme of "Values" is especially relevant to our citizen-soldiers. They are, in Churchill's words "twice the citizens" who, in addition to civilian pursuits reaffirm, by Army Reserve membership and participation, their commitment to the values we are sworn to defend as well as the professional values that are important to our Total Army and Nation.

Steady improvements in the major functional area of personnel, training, equipment, and mobilization have made today's Army Reserve the finest in history. We are recruiting more high quality soldiers and retaining more trained and experienced soldiers than ever before. Much of this manpower success is the result of improvements in our use of the various incentive programs approved and supported by the Congress. Another significant factor in our improved personnel readiness posture has been improved training opportunities for Army Reserve soldiers.

Realistic, demanding training has been one of the most frequently cited factors in Army Reservists' decisions to stay with the program. The knowledge that they are making a real contribution to our national security today, even as they prepare to meet tomorrow's challenges, continues to be one of the greatest motivations to service in the Army Reserve. Meaningful training on modern, state-of-the-art, Total Army equipment and weapons systems is critical if the Army Reserve is to fulfill its mission of providing essential support to the Total Army upon mobilization.

New equipment continues to be issued to units of the Army Reserve in increasing quantities. This equipment allows the Army Reserve to train today on the equipment they will have to operate and to support on the battlefield tomorrow. New equipment carries with it training and personnel requirements which must be met if Army Reserve units and soldiers are to serve with full effectiveness upon mobilization.

What has been accomplished has been due in large measure to the long-standing interest and support of the Congress. With that continued support and cooperation, the men and women of the Army Reserve will remain ready to meet the requirements of today and the challenges of tomorrow.

BUDGET ANNEX

RESERVE PERSONNEL, ARMY

The total Reserve Personnel, Army (RPA) budget request for FY 1987 is for $2,432 million. The increase of $161 million over FY 1986 consists of program growth, rate change, and inflation. Actual direct program growth for FY 1987 is about 154.9 million. The FY 1987 budget request directly supports the training and administration of members of the Army's Ready Reserve as well as the Reserve Officers' Training Corps (ROTC) Program, the Health Professions Scholarship Program, the Chaplain Candidate Program, and attendance at basic officers' branch courses.

RESERVE PERSONNEL, ARMY
($ IN MILLIONS)

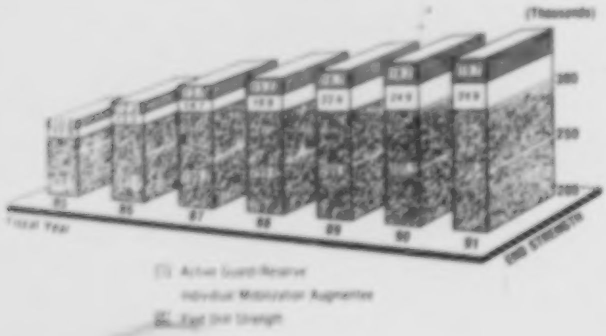
	FY 85	FY 86	FY 87
TROOP PROGRAM UNIT, PAY GROUP A	950.4	1038.4	1094.2
INIT ACTIVE DUTY TNG (IADT) PAY GROUP F	148.3	187.5	175.9
MEMB AWAITING IADT, PAY GROUP P	6.3	6.1	5.1
INDIV MOB AUGMENTEES, PAY GROUP D	21.6	24.2	24.4
SCHOOL TRAINING	94.4	131.9	133.1
SPECIAL TRAINING	129.3	113.1	120.2
MOB TRAINING	87.2	103.9	135.6
ADMIN/SUPPORT	425.3	526.5	597.6
AGR	(398.0)	(490.3)	(559.0)
INCENTIVES	(23.2)	(32.0)	(34.1)
DEATH/DISABILITY	(4.1)	(4.3)	(4.5)
EDUCATION BENEFITS	4.1	31.4	317
OTC/HPSP	99.8	108.4	114.2
TOTAL	**1966.7**	**2271.4**	**2432.0**
RETIRED PAY ACCRUAL INCLUDED	(502.3)	(577.3)	(616.7)

Paid Drill Strength

The number of Army Reservists assigned to troop program units (paid drill strength) continues to improve. At the end of FY 1978, Army Reserve paid drill strength stood at a discouraging low of 186,000. Since that time, however, due in good measure to the foresight and support of the Congress in the form of increased Reserve end strength authorizations and a wide variety of funded strength incentives such as bonuses and educational assistance, our paid drill strength has steadily grown to our current (as of 31 December 1985) of 269,467. By the end of FY 1986, we fully expect to achieve our authorized paid drill end strength of about 285,178. For FY 1987, we are requesting a paid drill end strength of 299,229, a goal that is still nearly 3,000 personnel short of the wartime required strength. Personnel strength has improved significantly in recent years and continues to improve. Support for further improvement is required.

U. S. ARMY RESERVE

SELECTED RESERVE STRENGTH



Individual Ready Reserve (IRR)

The IRR, the Army's source of wartime individual replacement and filler personnel for both Active and Reserve Component units, continues to grow in numbers. From its post-Vietnam low of about 149,000 in FY 1977, the IRR's strength posture has improved steadily. As of 31 December 1985, the enlisted strength of the IRR stood at about 263,483. We expect a substantial improvement in these figures in future years as a result of the recent authority to extend the minimum service obligation from six to eight years.

Moreover, the FY 1987 budget request provides for an IRR reenlistment bonus program of 7,500 initial bonuses ($1.9 M) to aid growth in IRR membership. The FY 1987 budget request will increase mobilization skill training for nonunit Reservists and it fully supports a total IRR muster.

Strength Incentive Programs

The FY 1987 budget request provides for a total of $34.1 million for various incentive programs to increase the strength of the Army's Ready Reserve. This figure represents a commitment on the Army's part to build its Reserve strength closer to the wartime required level. The FY 1987 program increases Selected Reserve enlistment and reenlistment incentives by about 8.8 percent and increases the IRR's strength (reenlistment) incentives by 177%. All of these bonus programs are tied to increasingly more demanding qualitative standards and to specific military skills and specialties required within the Total Army's mobilization structure. We have been most fortunate in our Reserve recruiting and retention efforts in the recent past. However, faced with a steadily declining number of service-eligible eighteen-year-olds, we must do all we can to make service in the Army Reserve as attractive as possible. The incentive programs are vitally necessary if we are to continue the trend toward improvement that has characterized our strength maintenance efforts of the past several years.

Full Time Support and the Active Guard/Reserve (AGR) Program

The FY 1987 budget request contains a modest increase in the Army Reserve Full Time Support Program. Active Guard and Reserve (AGR) personnel will increase by 1,500.

The AGR Program is designed to improve the mobilization readiness of the Total Army by providing personnel on duty in a full time military status to advise, administer, train, and manage the personnel and units of the Army Reserve. The program includes several categories of Reserve personnel rendering full time support to various elements of the Army Reserve to enhance the Reserve's ability to perform its wartime missions.
Those assigned to troop program units serve in administrative, logistical, and training areas--all intended to assist drilling Reservists in meeting their mobilization requirements. The addition of full time personnel represents a commitment by the Army leadership. The AGR end strength requested in the FY 1987 budget submission is 13,657.

Recruiter Support

The number of AGR personnel on full time recruiting duty is 2,370 in FY 1987. The program is intended to build upon the Reserve recruiting efforts of recent years to ensure that the Army Reserve continues to improve its strength posture and achieve its authorized manning levels.

Reserve Officers' Training Corps (ROTC)

The FY 1987 ROTC budget request is $100.1 million. During the FY 1987, 7,987 officers are programmed to be commissioned through the ROTC. Officers commissioned through ROTC, the largest single source of USAR officer accessions, will serve in all components of the Total Army. FY 1987 will also see a 1,441 increase in the number of Army Junior ROTC cadets in our high schools in the United States and abroad. The number of high schools offering Junior ROTC Program will be 897 in FY 1987. The Army leadership is, of course, quite pleased with the upswing of interest in and commitment to the ROTC Program that we have seen in the past few years. We are doing all we can to take full advantage of this improving climate of public response and acceptance of the military as a professional calling to build the quality of our officer accession programs to meet the needs of the Total Army.

Health Professions Scholarship Program

The Health Professions Scholarship Program, established in September 1972 by Public Law 92-426, is designed to produce officers for the military health disciplines. Candidates accepted by an accredited institution for professional training are selected by the Office of The Surgeon General for these scholarships. Participation requires that each individual accept a commission as a second lieutenant in the Army Reserve and complete 45 days' active duty training each year. Upon graduation, the participant must serve at lease one year of active duty for each year of scholarship aid, and in every case will incur a minimum active duty obligation of three years. The FY 1986 budget provides a monthly stipend of $602 to be paid to an average of 1,242 scholarship participants and full pay and allowances for 45 days of active duty for each participant. The total amount requested in FY 1987 is $14 million. This program is an essential element to the ultimate resolution of the serious physician shortfall faced by the Army.

OPERATION AND MAINTENANCE, ARMY RESERVE

The Operation and Maintenance, Army Reserve (OMAR) budget request for FY 1987 is for $793 million, an increase of $13.0 million over FY 1986 after a transfer of the semiactive installations to OMA of $73.9 million. The FY 1987 estimate also includes price inflation of $37.6 million for a net program increase of $49.3 million.

OPERATION AND MAINTENANCE
ARMY RESERVE
($ IN MILLIONS)

	FY 85	FY 86	FY 87
TRAINING AND ORGANIZATION OF MISSION FORCES	408	427	477
DEPOT MAINTENANCE	8	10	11
BASE COMMUNICATIONS	20	21	17
BASE OPERATIONS	198	216	171
RECRUITING AND ADVERTISING	42	46	55
MANAGEMENT SUPPORT	55	60	62
TOTAL	**731**	**780**	**793**

Supplies and Equipment

Supplies and equipment are an essential ingredient to mobilization readiness of Reserve forces. As a result of Congressional actions over the past three years, almost all high priority, early deploying Reserve units are more fully provided with their authorized supplies and equipment. We are currently filling other priority units with their minimum essential equipment for training. Continued emphasis and growth is necessary if we are to fully stock all mobilizing and deploying USAR units with such items as cold weather clothing and equipment (CWCE), chemical defensive equipment (CDE), and other go-to-war stocks required by their missions.

GENERAL OFFICER COMMANDS OF THE US ARMY RESERVE

FIRST ARMY

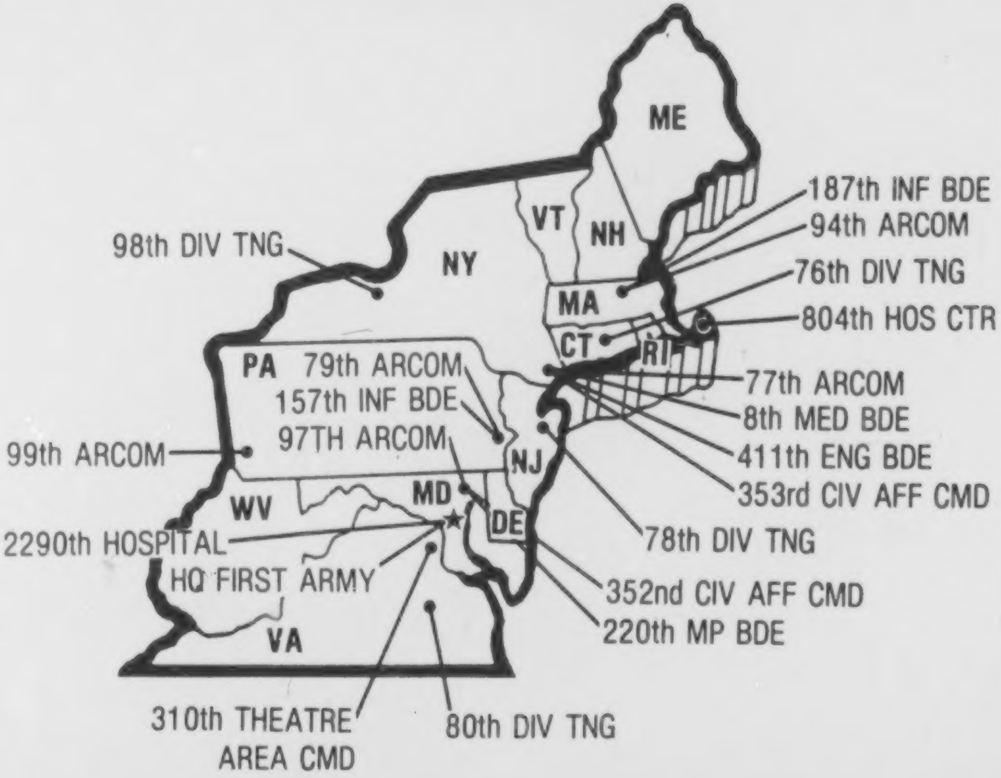
Connecticut	76th Division [Training] 700 South Quaker Lane West Hartford, CT 06110-1292	Commander Major General John Ricottilli, Jr. Assistant Division Commander Brigadier General John J. Capalbo Assistant Division Commander Colonel John C. C. Roth
Maryland	97th Army Reserve Command De Kalb USAR Center Fort Meade, MD 20755	Commander (Acting) Brigadier General Joseph G. Gray Deputy Commander
Maryland	220th Military Police Brigade 510 Snouffers School Road Gaithersburg, MD 20879-1595	Brigadier General Raymond E. Bell, Jr.
Maryland	352nd Civil Affairs Command 6601 Baltimore Avenue Riverdale, MD 20737-1025	Commander Brigadier General Dennis A. Wilkie
Maryland	2290th Army Hospital 1850 Baltimore Road Rockville, MD 20851-1298	Commander Brigadier General James W. Holsinger, Jr.
Massachusetts	94th Army Reserve Command Building 1607 Hanscom Air Force Base, MA 01731-5290	Commander Major General Herbert J. Riley Deputy Commander Brigadier General John J. Diggins
Massachusetts	187th Infantry Brigade [Separate] Burke USAR Center Fort Devens, MA 01433-5741	Commander Brigadier General Thomas C. Stones
Massachusetts	804th Hospital Center Hanscom Field Bedford, MA 01731-5291	Commander Brigadier General George J. Busch

Note: Commands are in numerical order within states listed alphabetically.

New Jersey	78th Division [Training] Kilmer USAR Center Edison, NJ 08817-2487	Commander Major General William P. Sylvester, Jr. Assistant Division Commander Brigadier General Frederick W. Roeder Assistant Division Commander
New York	8th Medical Brigade Building 408, Fort Hamilton Brooklyn, NY 11252-7200	Commander Brigadier General Thomas E. Potter
New York	77th Army Reserve Command Ernie Pyle USAR Center Fort Totten, NY 11359	Commander Brigadier General George E. Barker Deputy Commander Brigadier General Francis T. Donchue
New York	98th Division [Training] 2035 North Goodman Rochester, NY 14609-1098	Commander Major General Norbert J. Rappl Assistant Division Commander Brigadier General Dean L. Linscott Assistant Division Commander Colonel Barclay O. Wellman
New York	353rd Civil Affairs Command 2181 Loring Place North Bronx, NY 10453-1399	Commander Brigadier General Michael A. Boyd
New York	411th Engineer Brigade Floyd Bennett Naval Air Station Brooklyn, NY 11234-7097	Commander
Pennsylvania	79th Army Reserve Command Wurts USAR Center Willow Grove, PA 19090-5110	Commander Major General Richard E. Leithiser Deputy Commander Brigadier General Eugene J. Yonno
Pennsylvania	99th Army Reserve Command Oakdale USAR Center Oakdale, PA 15071-5001	Commander Major General George V. Bauer Deputy Commander Brigadier General James B. Baylor
Pennsylvania	157th Infantry Brigade [Separate] 936 Easton Road Horsham, PA 19044-3399	Commander Brigadier General John L. Kotcho
Virginia	80th Division [Training] 6700 Strathmore Road Richmond, VA 23237-1198	Commander Major General John P. Henderson, Jr. Assistant Division Commander Brigadier General Richard E. Collier Assistant Division Commander Colonel Stephen H. Sewell, Jr.

Virginia	310th Theater Army Area Command Mosby USAR Center Fort Belvoir, VA 22060-5496	Commander Major General James R. Montgomery Deputy Commander Brigadier General Edwin Cox

MAJOR US ARMY COMMANDS
FIRST US ARMY

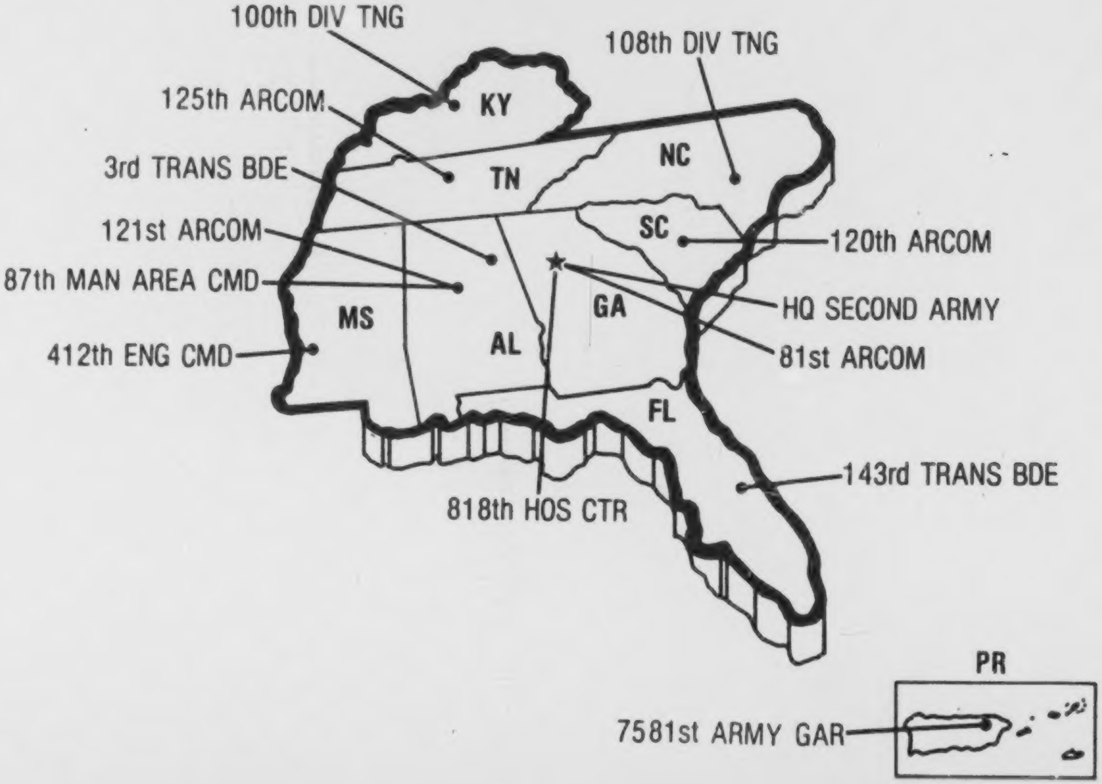


SECOND ARMY

Alabama	3rd Transportation Brigade 3415 McClellan Boulevard Montgomery, AL 32601-2198	Commander Brigadier General Richard F. Allen
Alabama	87th Maneuver Area Command 1400 Golden Acorn Drive Birmingham, AL 35244-1295	Commander Major General Alfred W. Porter, Jr. Commander, Support Exercises Brigadier General John R. McWaters Commander, Combat Exercises Brigadier General James R. Land
Alabama	121st Army Reserve Command 3620 Eighth Avenue South Birmingham, AL 35222-3272	Commander Major General Robert O. Bugg Deputy Commander Brigadier General Charlton B. McArthur
Florida	143rd Transportation Brigade 2800 Dowden Road Orlando, FL 32812-5299	Commander Brigadier General James T. Craig
Georgia	81st Army Reserve Command 2323 Dauphine Street East Point, GA 30344-2503	Commander Major General Robert Q. Jones Deputy Commander Brigadier General Wilson T. Dreger III
Georgia	818th Hospital Center Building 909, Fort Gillem Forest Park, GA 30050-5000	Commander Brigadier General Stephen C. Boone
Kentucky	100th Division (Training) 3590 Century Division Way Louisville, KY 40205-5000	Commander Major General Roy C. Gray, Jr. Assistant Division Commander Brigadier General Merwyn L. Jackson Assistant Division Commander Colonel Denny O. Harris
Mississippi	412th Engineer Brigade Post Office Box 55 Vicksburg, MS 39180-0055	Commander Major General Robert E. Louque, Jr. Deputy Commander Brigadier General Michael A. Schulz, Jr.
North Carolina	108th Division (Training) 1412 Westover Street Charlotte, NC 28205-5124	Commander Major General Charles J. Whisnant Assistant Division Commander Brigadier General William A. Gantt, Jr. Assistant Division Commander Colonel Ronald E. Sneed

Puerto Rico	7581st Army Garrison Fort Buchanan San Juan, PR 00934-7000	Commander Brigadier General Felix A. Santoni
South Carolina	120th Army Reserve Command Fort Jackson, SC 29207-6070	Commander Major General Berlyn K. Sutton Deputy Commander Brigadier General Jackson L. Flake, Jr.
Tennessee	125th Army Reserve Command 5900 Charlotte Avenue Nashville, TN 37209-3104	Commander Major General Dennis R. Jones Deputy Commander Brigadier General Leonard A. Walker, Jr.

MAJOR US ARMY COMMANDS
SECOND US ARMY

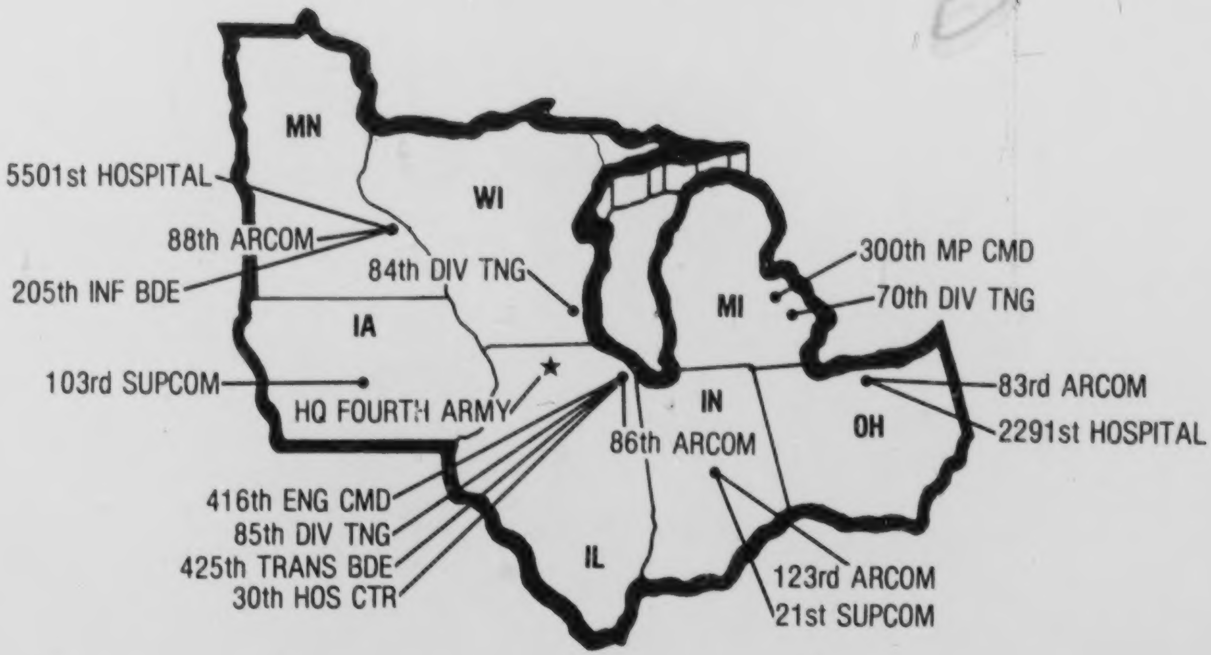


FOURTH ARMY

Illinois	30th Hospital Center Building 82 Fort Sheridan, IL 60037-7312	Commander Brigadier General Paul W. Gerster
Illinois	85th Division [Training] 1515 West Central Road Arlington Heights, IL 60005-2475	Commander Major General Angelo D. Juarez Assistant Division Commander Brigadier General Robert J. Bopp Assistant Division Commander Colonel James H. Mukoyama, Jr.
Illinois	86th Army Reserve Command 7402 West Roosevelt Road Forest Park, IL 60130-2587	Commander Brigadier General Richard E. Stearney Deputy Commander
Illinois	416th Engineer Brigade 4454 West Cermak Road Chicago, IL 60623-2991	Commander Major General Max Baratz Deputy Commander Brigadier General Mark W. Tenney
Illinois	425th Transportation Brigade Building 900 Fort Sheridan, IL 60037-7323	Commander Brigadier General George M. Woywod
Indiana	21st Support Command [CONUS Augmentation] 2625 Kessler Boulevard Indianapolis, IN 46222-2216	Commander Brigadier General Richard D. Chegar
Indiana	123rd Army Reserve Command Building 126 Fort Benjamin Harrison, IN 46216-6400	Commander Brigadier General Murray E. Cantrall Deputy Commander Brigadier General William W. Wells
Iowa	103rd Corps Support Command 225 East Army Post Road Des Moines, IA 50315-5899	Commander Major General Ralph W. Coan, Jr. Deputy Commander Brigadier General Norris P. Abts
Michigan	70th Division [Training] 34451 Schoolcraft Road Livonia, MI 48150-1399	Commander Brigadier General Marvin G. Back Assistant Division Commander Assistant Division Commander Colonel Stanley A. Humeland

Michigan	300th Military Police Command [POW] 3200 South Beech-Daly Road Inkster, MI 48141-2648	Commander Brigadier General William H. Reiff
Minnesota	88th Army Reserve Command Building 506 Fort Snelling, MN 55111-4066	Commander Brigadier General Roger W. Sandler Deputy Commander Brigadier General Paul G. Rehkamp
Minnesota	205th Infantry Brigade [Separate] [Light] Building 506 Fort Snelling, MN 55111-4089	Commander Brigadier General David M. Adamson
Minnesota	5501st Army Hospital Building 505 Fort Snelling, MN 55111-4081	Commander Colonel Raymond C. Bonnabeau, Jr.
Ohio	83rd Army Reserve Command Post Office Box 16515 Columbus, OH 43216-5004	Commander Major General Norman W. Martell Deputy Commander Brigadier General Bernard F. Losekamp
Ohio	2291st Army Hospital 721 Country Club Road Columbus, OH 43213-2485	Commander Colonel Howard A. Pope
Wisconsin	84th Division [Training] 4828 West Silver Spring Drive Milwaukee, WI 53218-3498	Commander Brigadier General Vance Coleman Assistant Division Commander Brigadier General Michael M. Berzowski Assistant Division Commander Colonel Donald J. Kleist

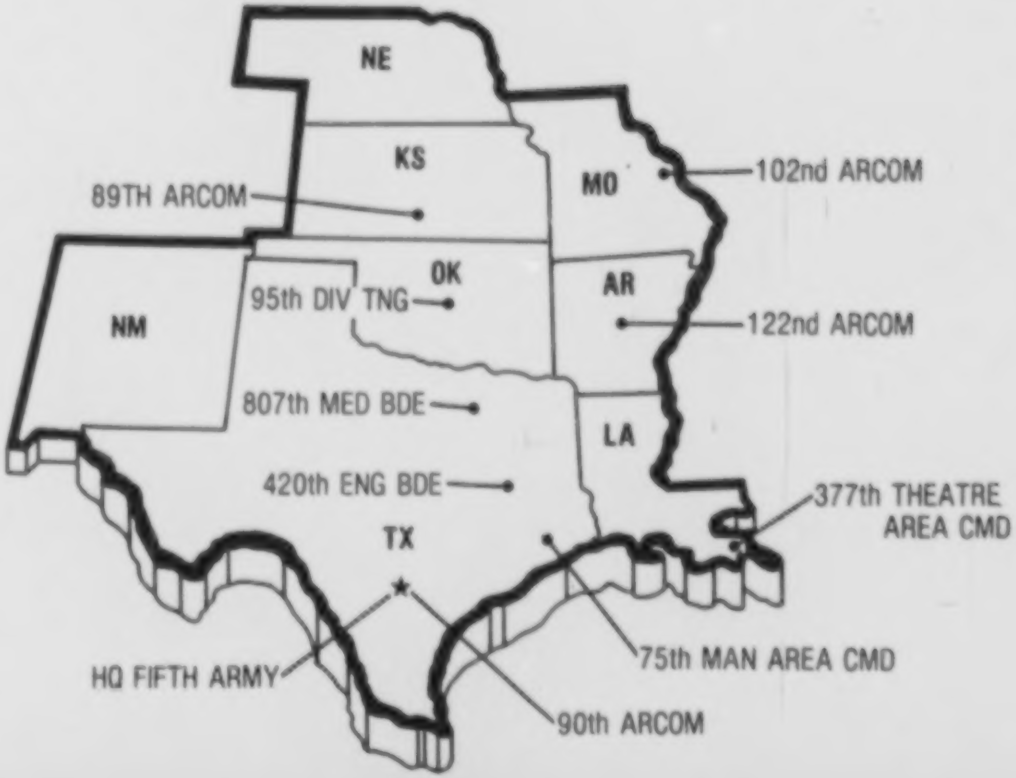
MAJOR US ARMY COMMANDS
FOURTH US ARMY



FIFTH ARMY

Arkansas	122nd Army Reserve Command 8001 Camp Robinson Road North Little Rock, AR 72118-2206	Commander Major General John E. Gecks Deputy Commander Brigadier General Robert C. Hope
Kansas	89th Army Reserve Command 3130 George Washington Boulevard Wichita, KS 67210-1598	Commander Major General Jack Strukel, Jr. Deputy Commander Brigadier General James E. Haught
Louisiana	377th Theater Army Area Command 5010 Leroy Johnson Drive New Orleans, LA 70146-3601	Commander Major General Anthony H. Conrad, Jr. Deputy Commander Brigadier General Walter R. Schellhase
Missouri	102nd Army Reserve Command 4301 Goodfellow Boulevard St. Louis, MO 63120-1794	Commander Major General Albert E. Gorsky Deputy Commander Brigadier General Robert F. Pennycuick
Oklahoma	95th Division [Training] Post Office Box 10095 Midwest City, OK 73140-1095	Commander Major General Harold J. Wegge Assistant Division Commander Brigadier General Harvey G. Gilley Assistant Division Commander Colonel James L. Smith
Texas	75th Maneuver Area Command 1850 Old Spanish Trail Houston, TX 77054	Commander Major General Guilford J. Wilson, Jr. Commander, Support Exercises Brigadier General Dionel E. Aviles Commander, Combat Exercises Brigadier General Keith L. Hargrove
Texas	90th Army Reserve Command 1920 Harry Wurzbach Highway San Antonio, TX 78209-6097	Commander Major General Elvin J. Schofield
Texas	420th Engineer Brigade 511 Carson Street Bryan, TX 77801-1398	Commander Brigadier General Alvin W. Jones
Texas	807th Medical Brigade 701 East Simonds Road Seagoville, TX 75159-1201	Commander Brigadier General Robert L. Wick, Jr.

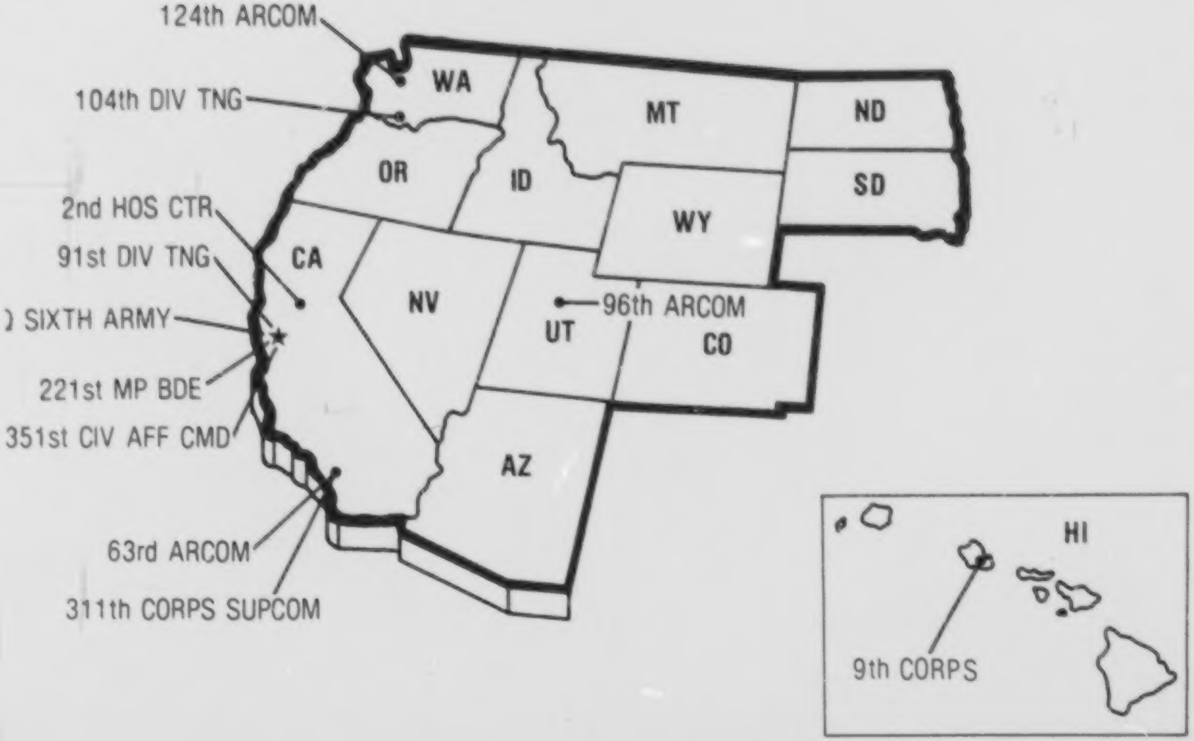
MAJOR US ARMY COMMANDS
FIFTH US ARMY



SIXTH ARMY

California	2nd Hospital Center Building 515 Hamilton Field, CA 94947-5094	Commander Brigadier General James R. Sims, Jr.
California	63rd Army Reserve Command Armed Forces Reserve Center Los Alamitos, CA 90720-5001	Commander Major General Daniel C. Helix Deputy Commander Brigadier General Ronald V. McDougall
California	91st Division (Training) Building 602, Fort Baker Sausalito, CA 94965-5099	Commander Brigadier General George J. Vukasin Assistant Division Commander Assistant Division Commander Colonel Angel E. Arzaga
California	221st Military Police Brigade 155 West Hedding Street San Jose, CA 95110-1786	Commander Brigadier General Douglas J. O'Connor
California	311th Corps Support Command 1250 Federal Avenue Los Angeles, CA 90025-3899	Commander Major General James E. Beal Deputy Commander Brigadier General Jerry J. Josten
California	351st Civil Affairs Command 1776 Old Middlefield Way Mountain View, CA 94043-1809	Commander Brigadier General Paul E. Vallely
Utah	96th Army Reserve Command Building 103 Fort Douglas, UT 84113-5007	Commander Major General Richard O. Christiansen Deputy Commander Brigadier General Donald M. Begley
Washington	104th Division (Training) Building 987 Vancouver Barracks Vancouver, WA 98661-3896	Commander Major General Rudolph E. Hammond Assistant Division Commander Brigadier General Daniel F. Hitchcock Assistant Division Commander Colonel Thomas E. Mattson
Washington	124th Army Reserve Command Building 220 Fort Lawton, WA 98199-5000	Commander Major General Garnet R. Reynolds Deputy Commander Brigadier General Clyde R. Cherberg

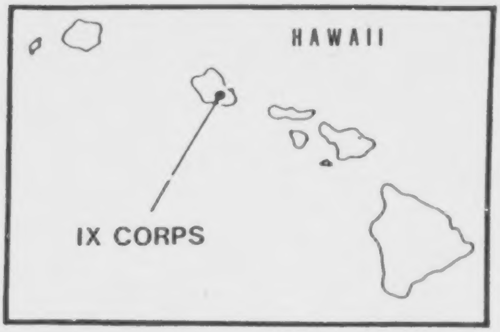
MAJOR US ARMY COMMANDS
SIXTH US ARMY



WESTCOM

Hawaii	IX Corps (Augmentation) Fort DeRussy Honolulu, HI 96815-1997	Commander Brigadier General Edward Y. Hirata

MAJOR US ARMY RESERVE COMMANDS
WESTERN COMMAND (WESTCOM)



GENERAL OFFICER INDIVIDUAL MOBILIZATION AUGMENTEES

Assistant Chief of Engineers for Mobilization, Reserve Affairs, and Logistics Office, Chief of Engineers 20 Massachusetts Avenue Northwest Washington, DC 20314	Major General Jimmy F. Bates
Deputy Commanding General (Reserve Components) Fifth Army Fort Sam Houston, TX 78234-7000	Major General Bill C. Branson
Deputy Assistant Chief Office, Assistant Chief of Staff for Intelligence Washington, DC 20310	Colonel James A. Brooke
Assistant Deputy Chief of Staff for Development, Engineering, and Acquisition Army Materiel Command 5000 Eisenhower Avenue Alexandria, VA 22333-0001	Brigadier General Joseph H. Brooks
Deputy Commanding General (Reserve Components) Fourth Army Fort Sheridan, IL 60037-7000	Major General Wilber J. Bunting
Assistant Chief Office, Chief of Chaplains Washington, DC 20310-2400	Chaplain [Brigadier General] Israel Drazin
Assistant to Executive Director for Supply Operations Defense Logistics Agency Cameron Station Alexandria, VA 22314	Brigadier General Andrew N. Farley
Chief Judge Army Legal Services Agency Nassif Building Falls Church, VA 22041	Brigadier General Daniel W. Fouts
Deputy Commanding General Training and Doctrine Command Fort Monroe, VA 23651	Major General Louis H. Ginn III

Deputy Surgeon General for Mobilization and Reserve Affairs Office, The Surgeon General Falls Church, VA 22041-3258	Major General James E. Harrell
Deputy Chief Office, Chief Public Affairs Washington, DC 2010	Brigadier General Lewis M. Helm
Deputy Commanding General for Mobilization Military Personnel Center 200 Stovall Street Alexandria, VA 22332	Brigadier General Jefferson S. Henderson II
Deputy Commander for Mobilization (Western Area) Military Traffic Management Command 5611 Columbia Pike Falls Church, VA 22041-5050	Colonel Mark A. Johnson
Deputy Chief of Legislative Liaison Office of the Secretary of the Army Washington, DC 20310	Brigadier General John W. Knapp
Deputy Director for Operations, Readiness, and Mobilization Office, Deputy Chief of Staff for Operations and Plans Washington, DC 20310	Brigadier General Richard H. MacMillan, Jr.
Assistant Deputy Chief of Staff for Logistics for Mobilization and Training Office, Deputy Chief of Staff for Logistics Washington, DC 20310	Major General Warren A. E. Magruder
Deputy Commanding General (Reserve Components) First Army Fort George G. Meade, MD 20755-7000	Major General James C. McElroy
Deputy Assistant Chief Office, Assistant Chief of Staff for Information Management Washington, DC 20310-0700	Major General Henry W. Meetze
Assistant Deputy Chief of Staff for Mobilization and Reserve Affairs Office, Deputy Chief of Staff for Personnel Washington, DC 20310	Major General Mack J. Morgan , Jr.

Deputy Assistant Surgeon General for Dental Services Office, The Surgeon General Falls Church, VA 22041-3258	Brigadier General Robert M. Overbey
Assistant Deputy Chief of Staff for Mobilization and Reserve Affairs Office, Deputy Chief of Staff for Research, Development, and Acquisition Washington, DC 20310	Major General Theodore W. Paulson
Assistant Deputy Chief of Staff for Operations and Plans for Mobilization Office, Deputy Chief of Staff for Operations and Plans Washington, DC 20310	Major General Donald A. Pearson
Deputy Director for Transportation, Engineering, and Troop Support Office, Deputy Chief of Staff for Logistics Washington, DC 20310	Brigadier General Anthony S. Sarbanes
Assistant Deputy Chief of Staff for Readiness Army Materiel Command 5000 Eisenhower Avenue Alexandria, VA 22333-0001	Major General Robert P. Sy
Deputy Commanding General for Mobilization and Reserve Affairs Western Command Fort Shafter, HI 96858	Major General Walter K. Tagawa
Assistant Deputy Chief of Staff for Training Training and Doctrine Command Fort Monroe, VA 23651	Brigadier General Lee D. Thames
Assistant Judge Advocate General for Operations The Judge Advocate General Washington, DC 20310	Brigadier General Robert H. Tips
Deputy Chief Office, Chief Army Reserve Washington, DC 20310-2400	Brigadier General Elmus S. Useery

Deputy Commander for Mobilization Military Traffic Management Command 5611 Columbia Pike Falls Church, VA 22041-5050	Major General James E. Wagner
Deputy Commander for Mobilization (Eastern Area) Military Traffic Management Command 5611 Columbia Pike Falls Church, VA 22041-5050	Colonel David J. Walker
Assistant Deputy Commanding General for Reserve Affairs Forces Command Fort McPherson, GA 30330-6000	Major General William F. Ward
Assistant Deputy Chief of Staff for Supply, Maintenance, and Transportation Army Materiel Command Alexandria, VA 22333-0001	
Assistant Deputy Chief of Staff for Security Assistance Army Materiel Command Alexandria, VA 22333-0001	
Deputy Commanding General for Mobilization Operations Depot Systems Command Chambersburg, PA 17201-4170	
Deputy Director for Personnel Plans and Systems Office, Deputy Chief of Staff for Personnel Washington, DC 20310	

UNITED STATES ARMY RESERVE

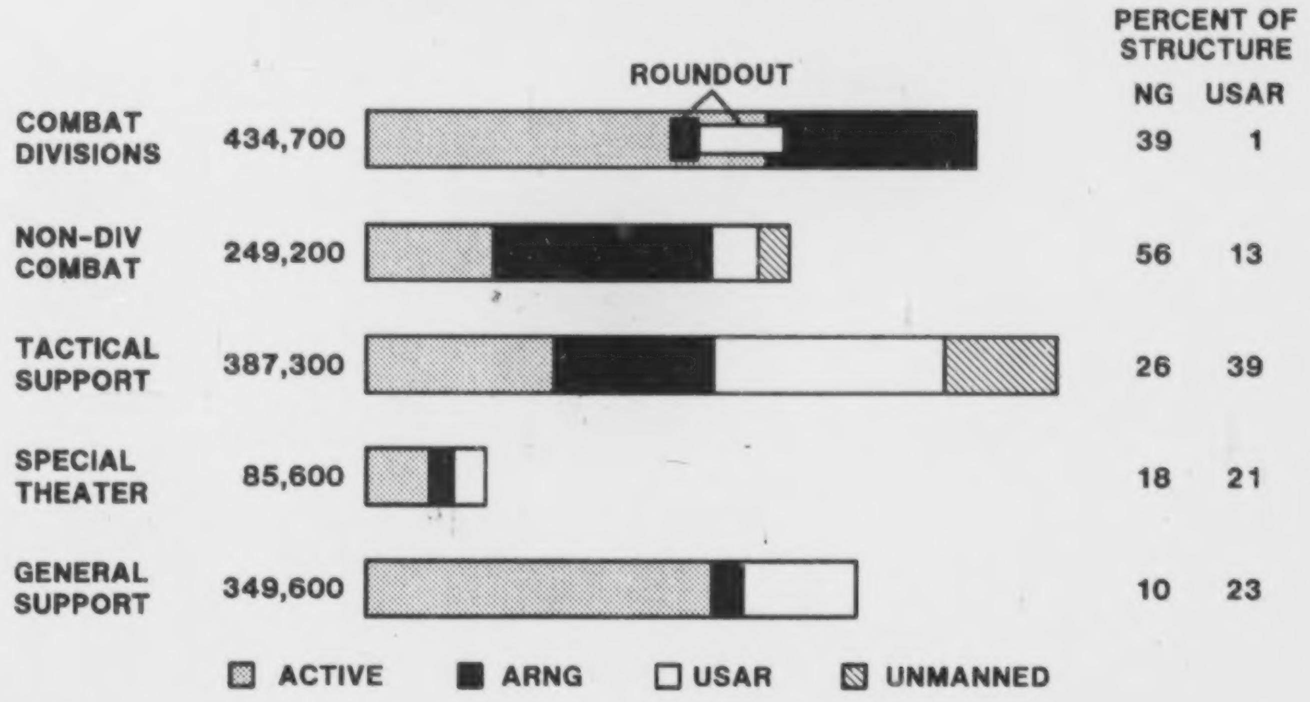
THE CONTRIBUTION OF THE RESERVE COMPONENTS TO THE TOTAL ARMY

ANNEX D

TOTAL ARMY WARTIME STRUCTURE
TOTAL ARMY INCREMENTS

28 COMBAT DIVISIONS	INFANTRY, MECHANIZED, ARMOR, AIRBORNE, AIR ASSAULT
NON-DIVISIONAL COMBAT UNITS	ARMORED CAV, SEPARATE INFANTRY, ARMOR, ARTILLERY, ENGINEERS, PATHFINDERS, SPECIAL FORCES
TACTICAL SUPPORT INCREMENT	AVIATION, AMMUNITION, CHEMICAL, CIVIL AFFAIRS, COMBAT ELECTRONICS, INTELLIGENCE, COMPOSITE SERVICE, ENGINEERS, FINANCE, JUDGE ADVOCATE, LOGISTICS, MEDICAL, MILITARY POLICE, PETROLEUM, PSYCHOLOGICAL OPERATIONS, SIGNAL AND TRANSPORTATION
SPECIAL THEATER FORCES	THEATER DEFENSE BRIGADES, ENGINEER AND SUPPORT TO OTHER SERVICES
GENERAL SUPPORT	TRAINING DIVISIONS AND BRIGADES, HOSPITALS, DENTAL, INTELLIGENCE, MILITARY POLICE, SCHOOLS, RECEPTION STATIONS, GARRISONS, MANEUVER AREA AND TRAINING COMMANDS, TRANSPORTATION, SELECTIVE SERVICE AND ARMY RESERVE COMMANDS

ARMY WARTIME STRUCTURE COMPONENT CONTRIBUTIONS



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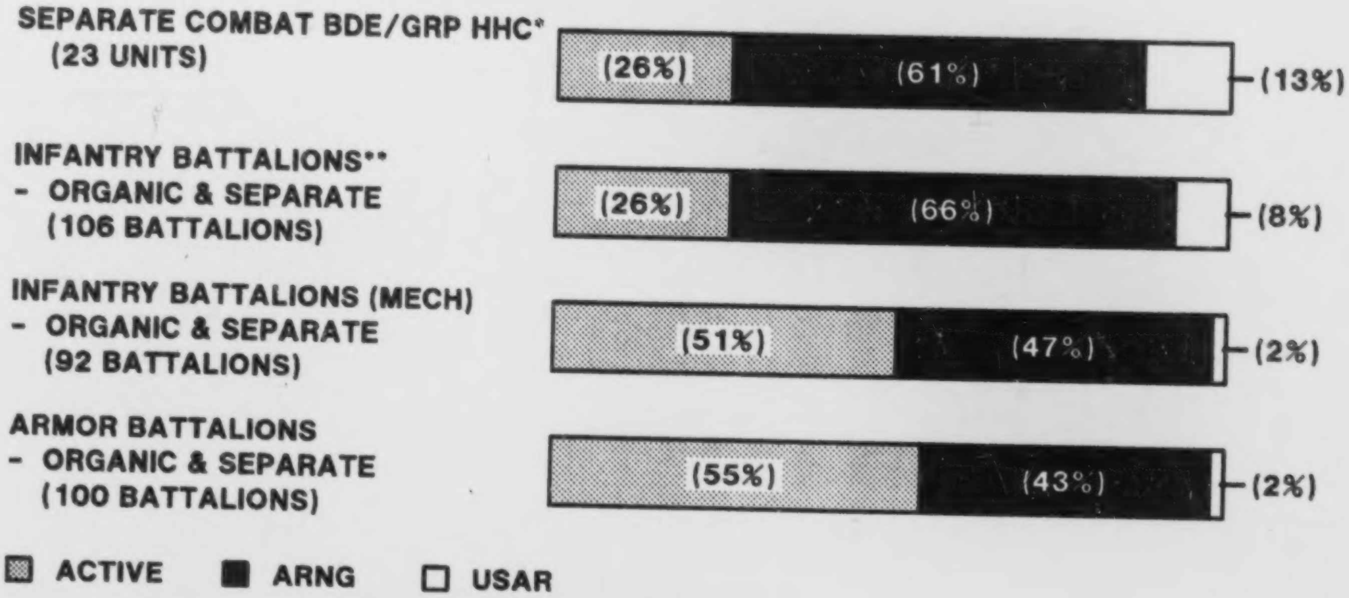
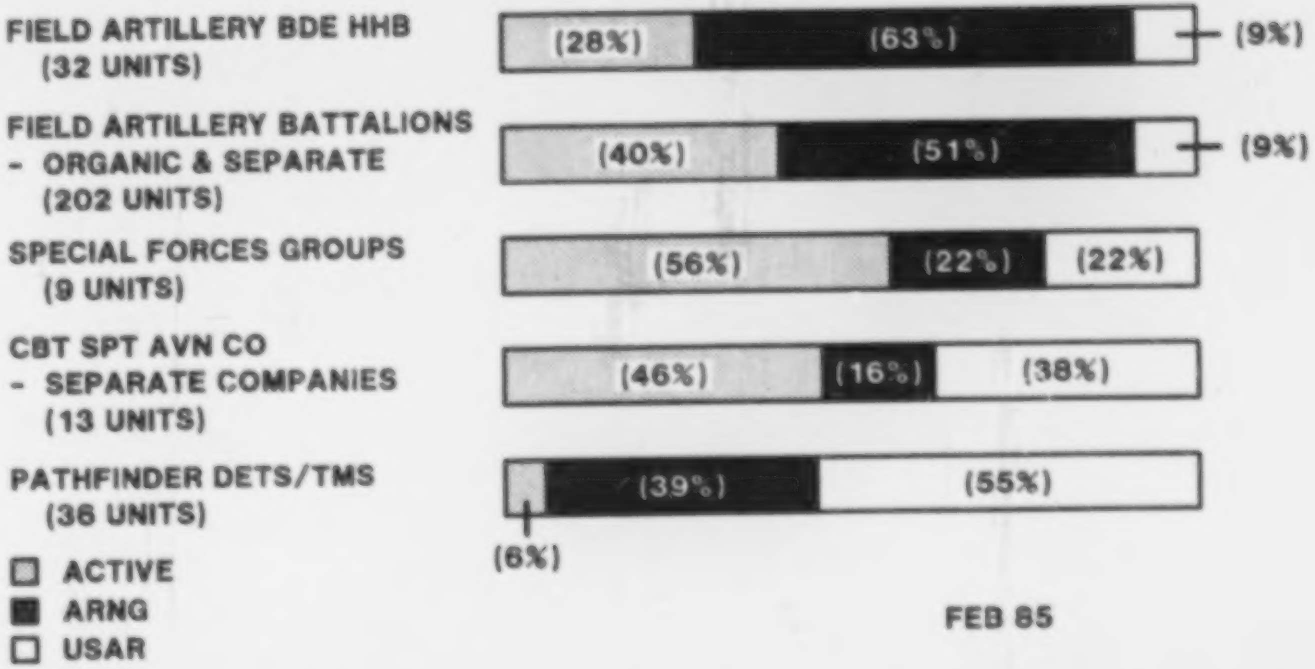
ARMY COMBAT CAPABILITY MANEUVER ELEMENTS



*DOES NOT INCLUDE ROUNDOUT BRIGADES OR ACR
**DOES NOT INCLUDE AIRBORNE, AIR ASSAULT, HTLD

ARMY COMBAT CAPABILITY
OTHER



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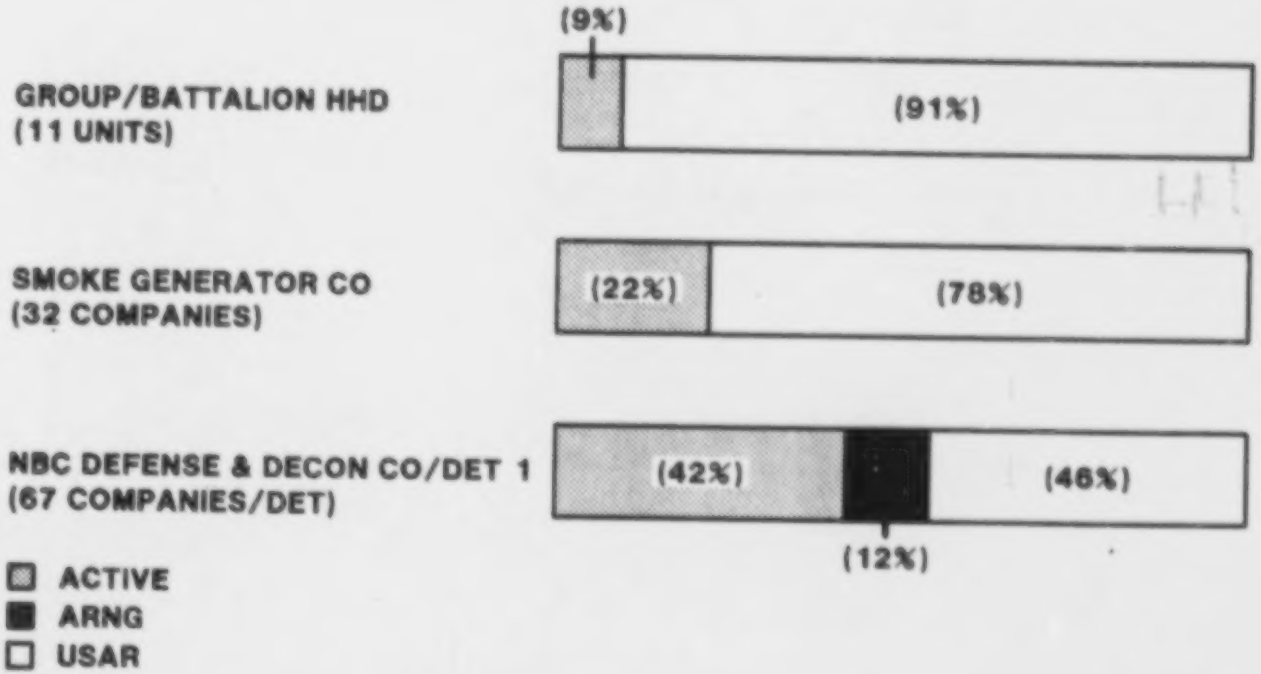
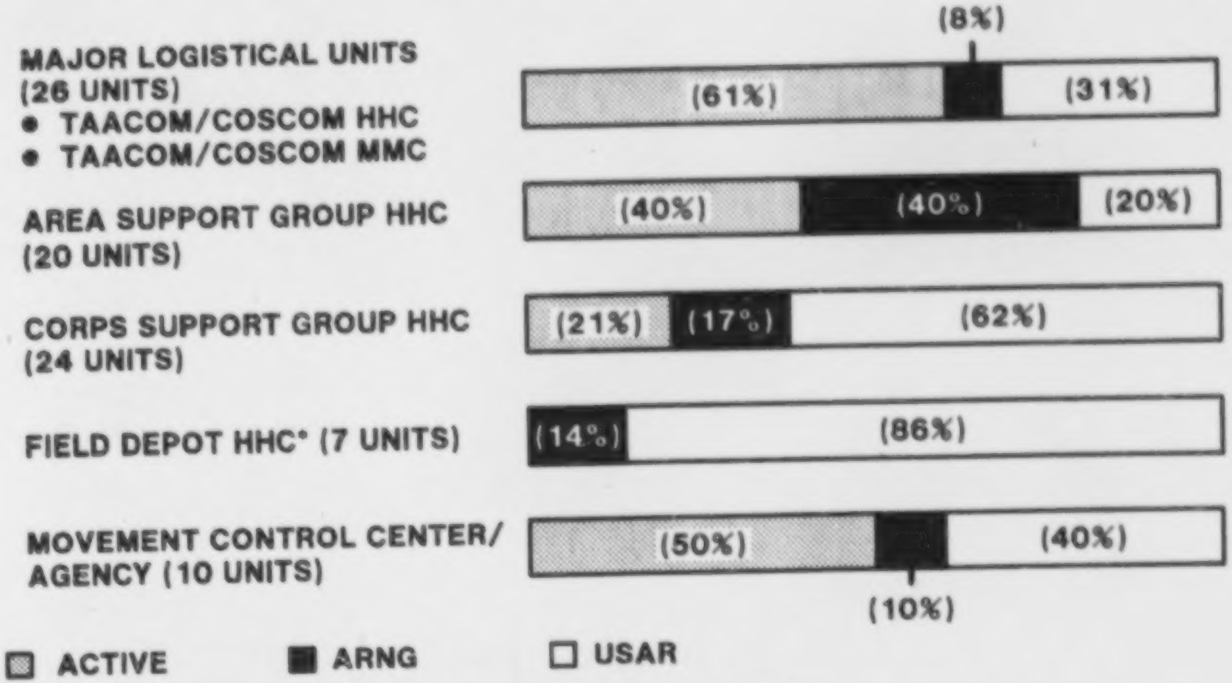
ARMY CHEMICAL CAPABILITY

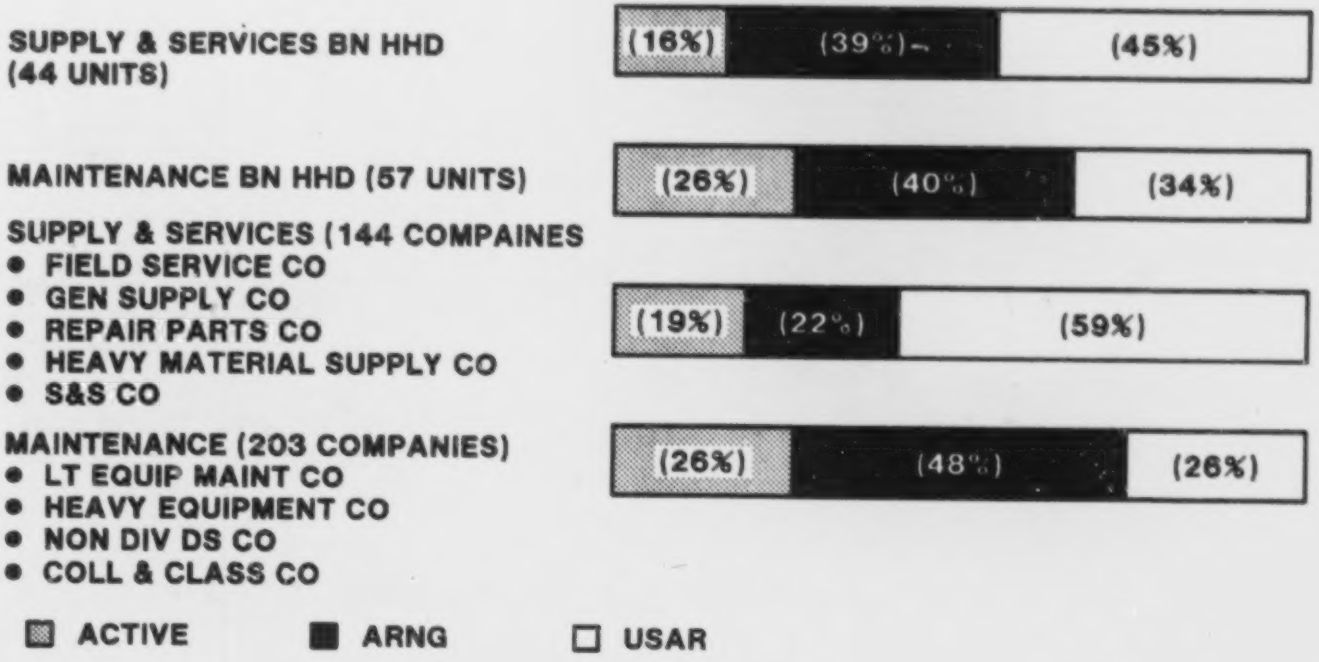


ARMY LOGISTICAL MANAGEMENT CAPABILITY



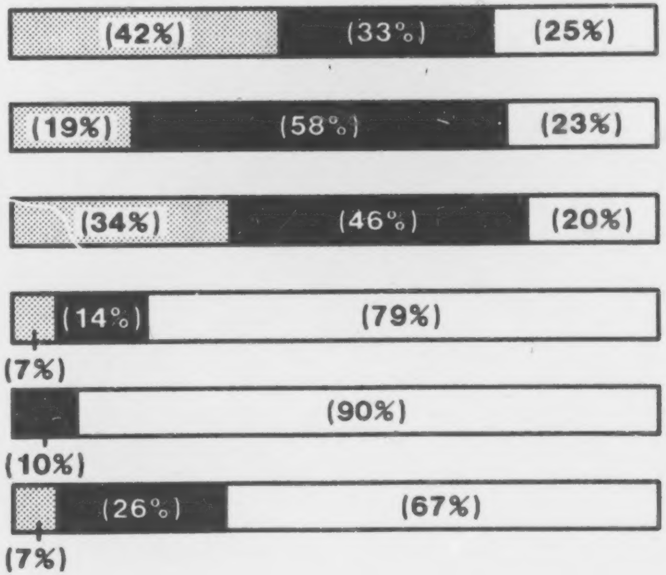
* PENDING REORGANIZATION/CONVERSION ACTION.

ARMY MAINTENANCE/SUPPLY & SERVICES CAPABILITY



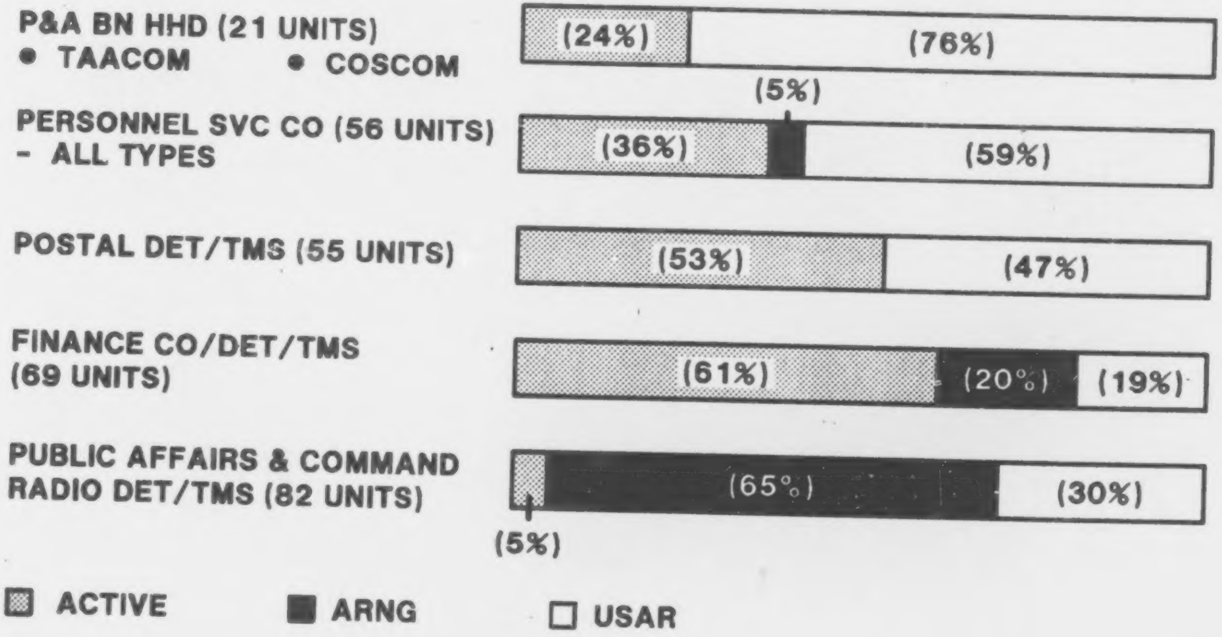
ARMY MILITARY POLICE CAPABILITY

- MP BDE/GRP HHC (12 UNITS)
  - TAACOM/COSCOM (- PW C2)
- MP BN HHD (NON-DIVISIONAL) (57 UNITS)
- MP CO (NON-DIVISIONAL) (197 COMPANIES)
  - LINE COMPANIES
  - ESCORT GUARD
  - PHYSICAL SECURITY
  - GUARD
- MP PW (14 UNITS)
  - COMMAND
  - BDE HHC
  - CAMP
  - PWIC
  - PROCESSING CO
- MP CONFINEMENT DET (10 UNITS)
- MP CRIMINAL INV DET (27 UNITS)

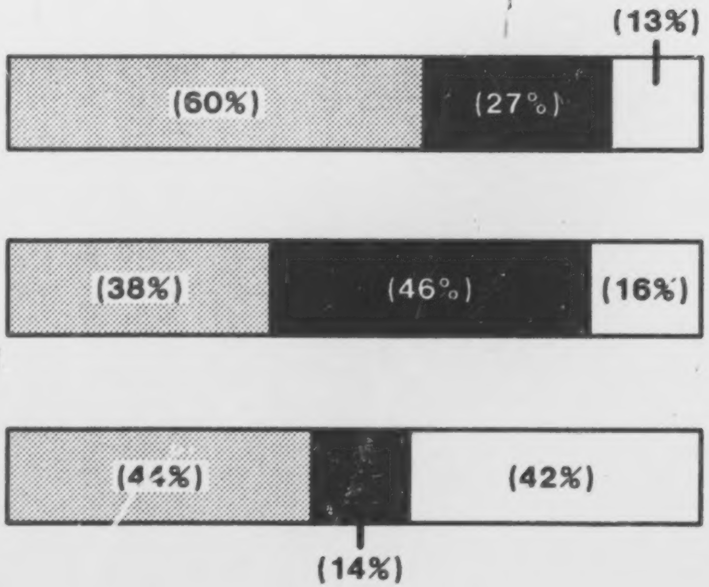


▨ ACTIVE ■ ARNG ☐ USAR

ARMY ADJUTANT GENERAL/FINANCE SUPPORT/ PUBLIC INFORMATION CAPABILITY



ARMY SIGNAL CAPABILITY



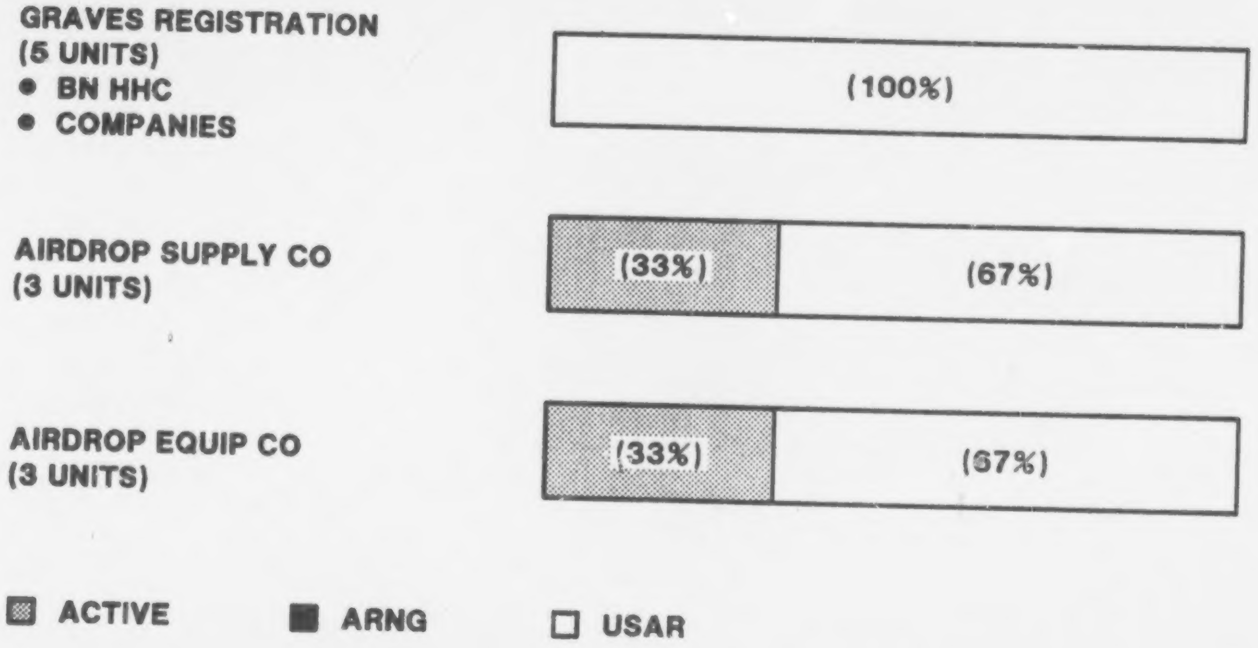
SIGNAL BDE/GRP HHD
(15 UNITS)

CORPS SIGNAL BN
(26 BATTALIONS)

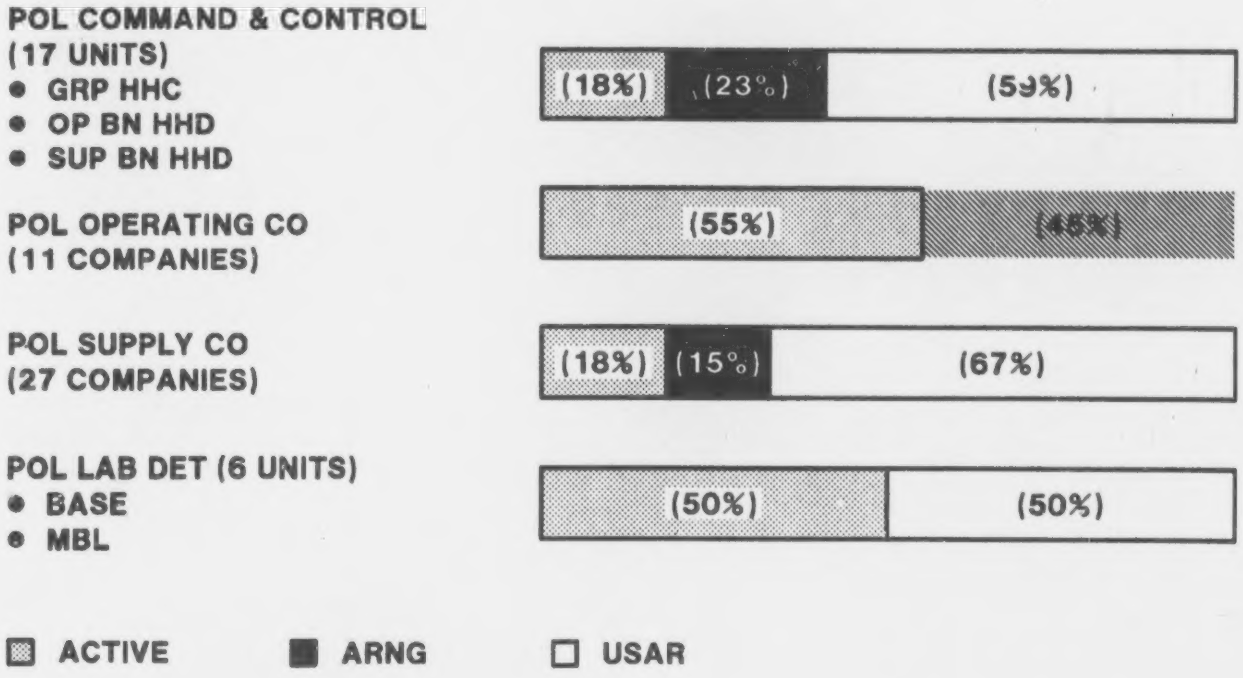
SEPARATE SIGNAL COMPANIES
(45 UNITS)
- SUPPORT
- COMM CTR OP
- RADIO OP
- CABLE & WIRE
- MED HQ OP

▨ ACTIVE ■ ARNG ☐ USAR

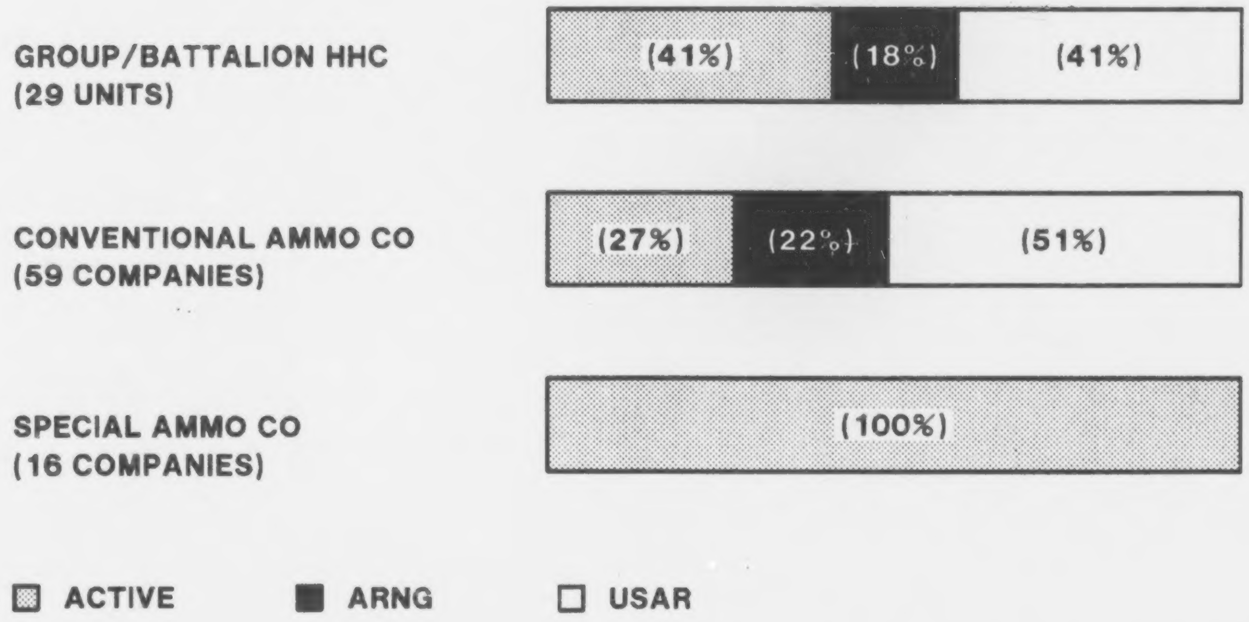
ARMY QUARTERMASTER CAPABILITY



ARMY PETROLEUM CAPABILITY



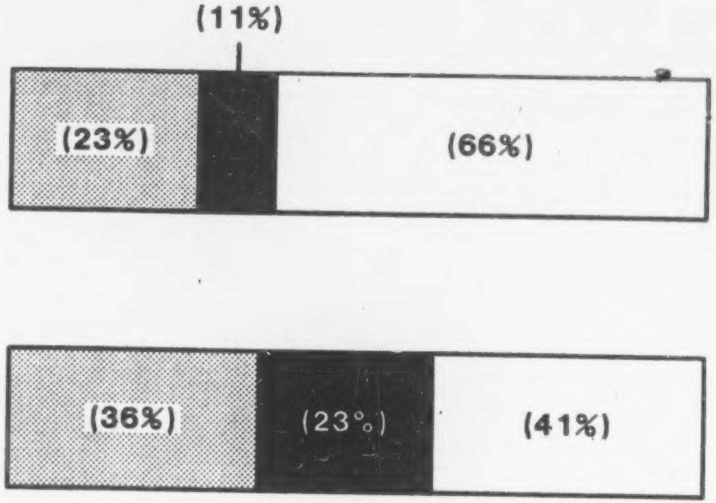
ARMY AMMUNITION CAPABILITY



ARMY MEDICAL CAPABILITY

ARMY HOSPITALS (MTOE) (146 UNITS)
- COMBAT SUPPORT
- EVAC
- FIELD
- HOSPITAL CENTERS
- CONVALESCENT CENTER
- MASH

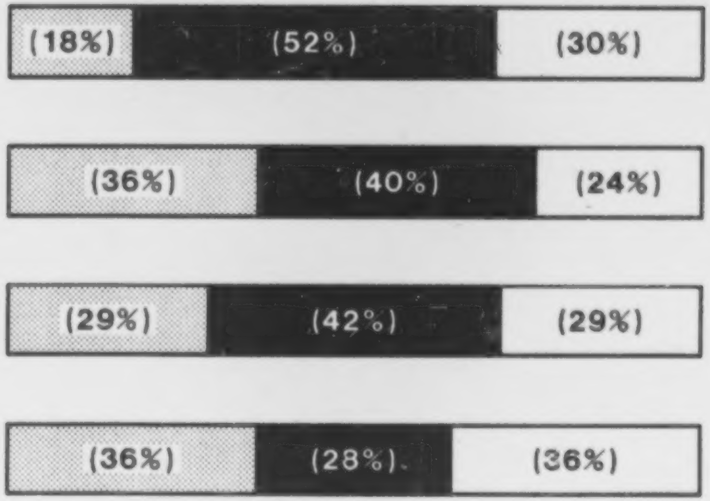
MEDICAL UNITS (OTHER) (510 UNITS)
- HHD BDE, GRP, BN
- AMBULANCE COMPANIES
- CLEARING COMPANIES
- SURGICAL DETACHMENTS
- DISPENSARY
- DENTAL DETACHMENTS



▨ ACTIVE ■ ARNG ☐ USAR

*DOES NOT INCLUDE AIR AMBUL CO

ARMY ENGINEER CAPABILITY



ENGR BDE/GRP HHC (42 UNITS)

COMBAT ENGR BATTALIONS
- ORGANIC & SEPARATE
  (135 BATTALIONS)

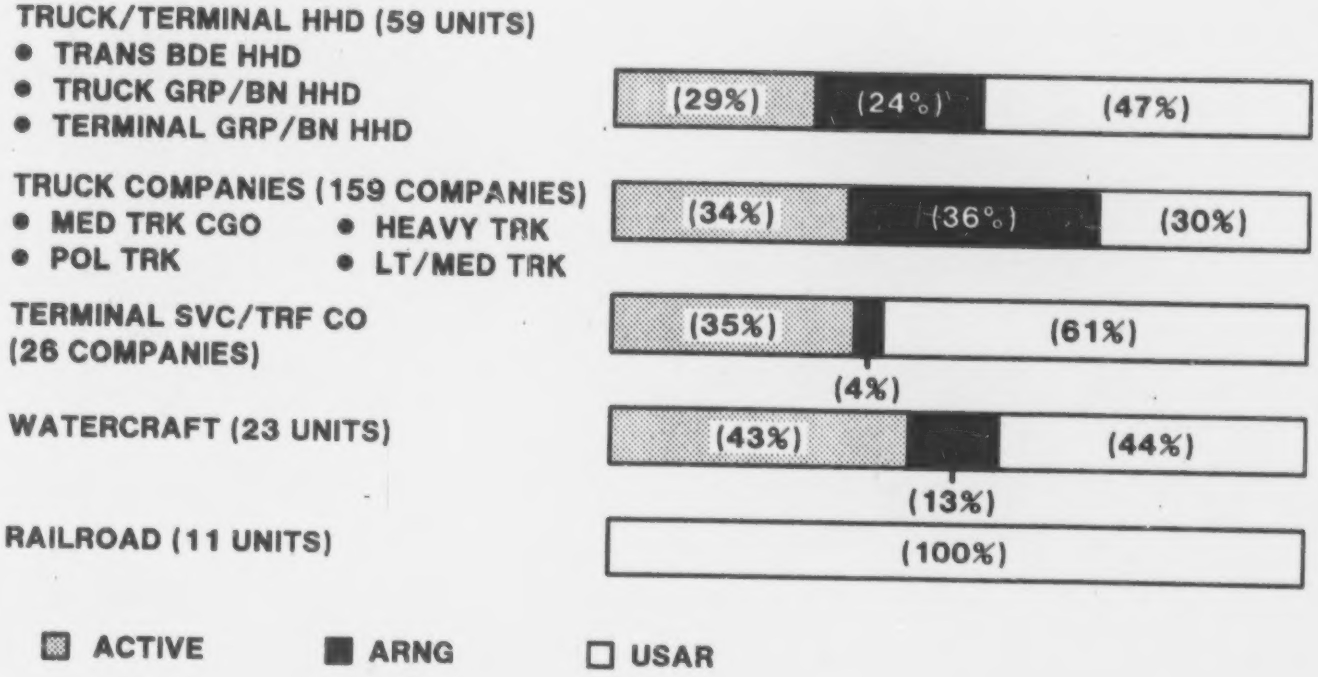
ENGR BRIDGE COMPANIES
- NON DIVISIONAL (35 COMPANIES)
- MDM GIRDER
- PANEL
- RIBBON
- MBL ASLT

WATER SUPPLY (39 UNITS)*
- SUPPLY CO/TRANS DET
- PURIFICATION DET
- WELL DRILLING DET
- DISTILLATION

▨ ACTIVE ■ ARNG ☐ USAR

*INCLUDES ENG UNITS TRANSITIONS TO QM

ARMY TRANSPORTATION CAPABILITY



TRUCK/TERMINAL HHD (59 UNITS)
- TRANS BDE HHD
- TRUCK GRP/BN HHD
- TERMINAL GRP/BN HHD

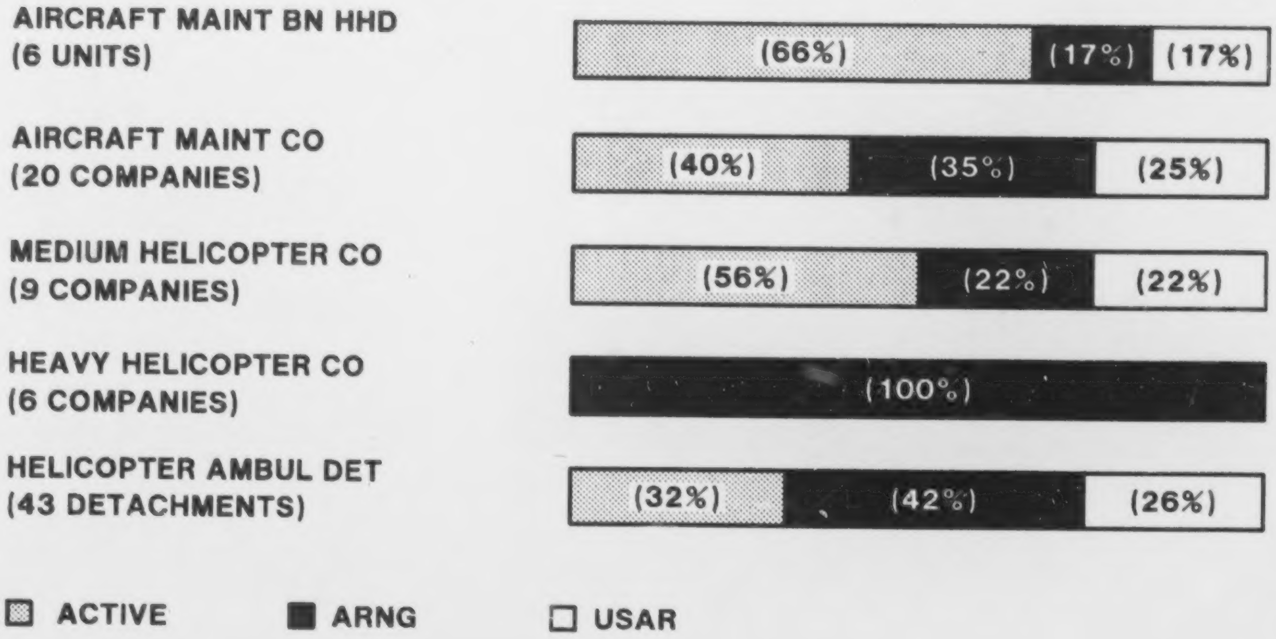
TRUCK COMPANIES (159 COMPANIES)
- MED TRK CGO
- POL TRK
- HEAVY TRK
- LT/MED TRK

TERMINAL SVC/TRF CO
(26 COMPANIES)

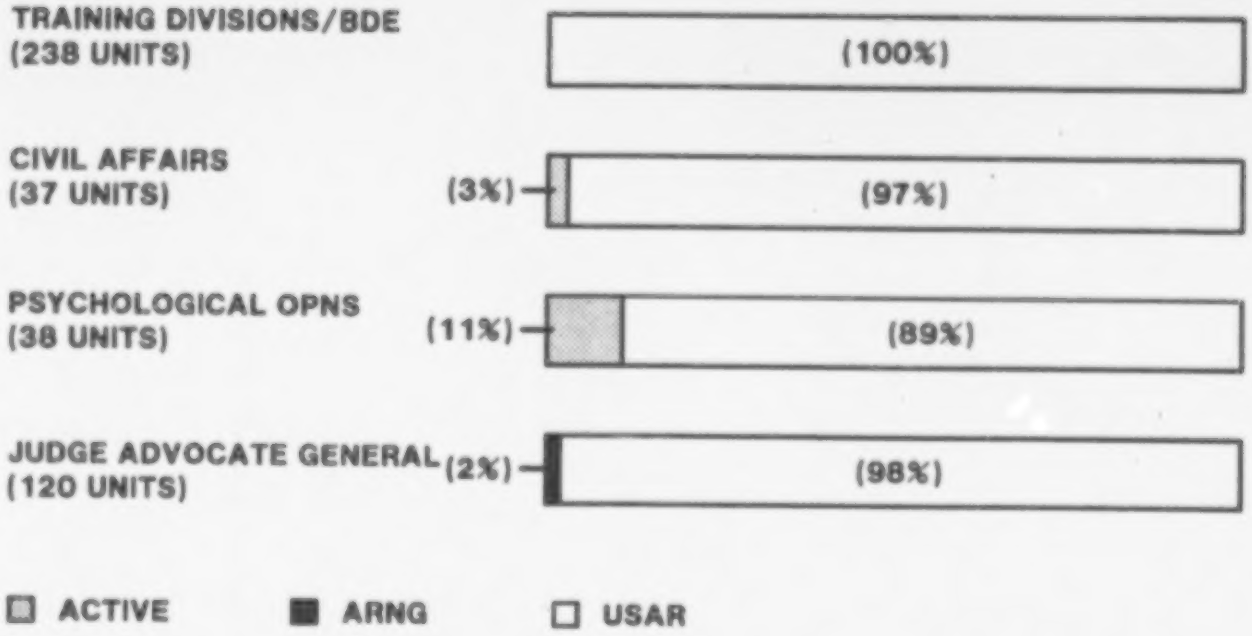
WATERCRAFT (23 UNITS)

RAILROAD (11 UNITS)

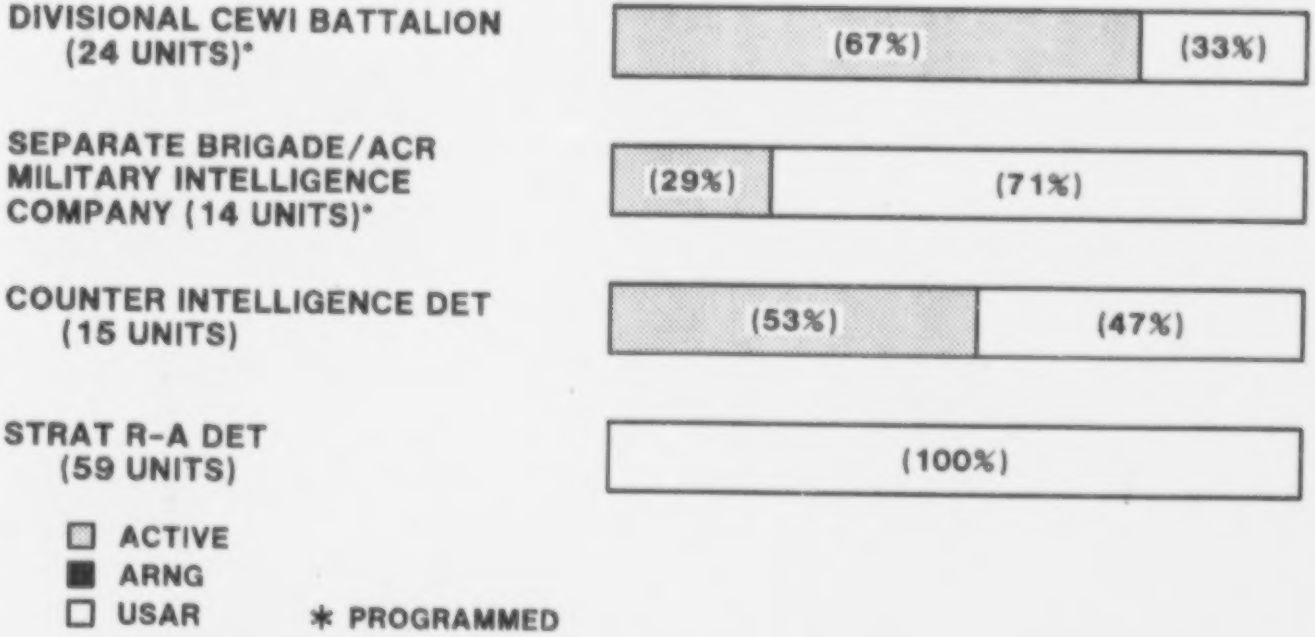
ARMY NON-COMBAT AVIATION CAPABILITY



UNIQUE ARMY CAPABILITIES



ARMY MILITARY INTELLIGENCE CAPABILITY



Mr. **Hutto**. OK. Thank you very much. We will have some questions now from our panel members. I would like to ask first, General Berkman, on page 7 of your prepared statement you indicate that more than 50 percent of the Army's special force structure is in the Reserve components.

You also indicate that initiatives are being pursued to raise unit priorities for equipment modernization of Reserve Special Force units. Now, specifically, what is being done to expedite the modernization of these units?

[The following information was received for the record:]

SPECIAL OPERATIONS FORCES INITIATIVES

Selected Special Operations Forces [SOF] units in the Reserve Component have been identified for an increase of their priority placement on the Department of Army Master Priority Listing [DAMPL]. The DAMPL sequence number of a unit determines the priority in which the unit will receive new equipment. SOF units in the USAR have priority for equipment modernization over all other USAR units.

General **Berkman**. The reference on the page in the posture statement, includes not only Special Forces units, Mr. Chairman, but also other types of units that are defined as Special Operations Forces by the Army. That includes psychological operations and also civil affairs units.

As part of the emphasis by the Chief of Staff and the Secretary of the Army on the importance of Special Operations Forces, the total Army initiatives that are looking at the Active component as well as the Army and National Guard Special Operations Forces also address Army Reserve units. I can provide more detailed information with respect to priorities and kinds of equipment that these units need in order to accomplish their missions for the record. But, the fact that this emphasis is resulting in upgrading the total Army Special Operations Forces, I think, is significant, since it includes the Reserve component elements as well.

Mr. **Hutto**. OK. Thank you. Is there any problem in coordinating between the Reserve, the Guard, and the Active Forces on special operations? Is that working out?

General **Berkman**. I think it is working out quite well. In the Army, in the Army Reserve, and the Army's Reserve components, the Capstone Program really is the device that integrates the total force and links together units by operation plan. And, then the Special Operations Forces with a variety of affiliation programs have a further relationship in that community. And, I think that is working quite well.

Mr. **Hutto**. General Walker, in accordance with the Gramm-Rudman-Hollings amendment, the Army and Air Guard stand to lose roughly $140 million in O&M funding through sequestration just a couple of days from now, March 1. What kind of flexibility do you have in absorbing this reduction and what kind of impact will it have on the Guard?

General **Walker**. Well, sir, let me first address the Army National Guard and O&M. It is going to reduce Army National Guard O&M by $79.7 million in 1986. It will result in reduced funding for training support and training aids, increases our BMAR, and reduces funding for repair parts, organizational clothing and equipment, advertising and recruiting support, and medical care and supplies for medical care.

That really hurts, particularly, the repair parts reduction, and I think General Temple will probably want to comment about that later.

The impact on Air National Guard O&M is, in my judgment, more significant than possibly any of the Reserve components. I know that it is more significant than the impact on the Army Guard. The flying hours are being reduced, and when you reduce flying hours, you reduce readiness. And the O&M reduction may possibly cause a RIF of as many as 2,000 technicians, which is going to be—well, it has shaken us. Many, many of them, of course, are in the maintenance business of the Air National Guard and they also are in the business of flying, and I am sure General Conaway will want to comment on that later when he testifies.

Mr. HUTTO. OK. One final question, and then I will ask some of my colleagues for questions.

General Temple and General Berkman, could you both briefly summarize priority unfunded O&M requirements, and provide a more detailed list for the record, if you would.

General BERKMAN. Yes, sir, Mr. Chairman, I will. Indeed, the impact of the sequestration of the Gramm-Rudman-Hollings in 1986 will hit the Army Reserve along the same lines as indicated by General Walker. It increases our unfunded requirements in areas such as organizational clothing and equipment and ASL and PLL repair parts for dedicated Army Reserve equipment. It decreases or reduces the advertising required to maintain the force, as well as imposing across-the-board reductions in base operations funding.

I might also say in the RPA area, that the impact of Gramm-Rudman is going to result in a reduction of about one-quarter of the available mobilization training funds that are used for training the Individual Ready Reserve. So, it is running counter to the emphasis that we would like to see. It will also reduce school training funds for members of the troop program units.

But, I will provide a more detailed listing for you.

Mr. HUTTO. All right, thank you.

[The following information was received for the record:]

PRIORITY UNFUNDED O&M REQUIREMENTS

Organizational Clothing and Equipment [OCE]—$9.8 million. Unprogramed growth in FY 85 and the resulting growth increases above the originally programed FY 86 Paid Drill Strength level have caused a shortage in OCE funding and increased the OCE backlog. $9.8 million will decrease the backlog by approximately 10 percent.

Panorex X-Rays—$2.3 million. The USAR is to have two copies of full jaw X-rays on file for all deployable reservists to aid in the identification of bodies in the event of catastrophic accidents. This X-ray is necessary to speed the deployment of activated reservists and is also necessary for any reservist who deploys on OCONUS exercises.

Truck SLEP—$5.1 million. The FY 86 Guard and Reserve Equipment Appropriation provided $15 million for conversion of truck engines for USAR trucks. The conversion of these truck engines will require contract support over a three year period. The Army is attempting to program two-thirds of the requirement into the FY 88-89 timeframe. The FY 87 requirement of 220 trucks would require $5.1 million. Including the procurement cost of $15 million, the cost per truck would be approximately $45,000 versus a new cost of $60,000 to 70,000 per truck.

IRR Screen—$6 million (Memo). OSD has provided funding of $38 million in FY 87 for Reserve Personnel, Army costs in this area. A reprograming would be necessary to move screening support costs from RPA to OMAR. OMAR funding of $6 million supports postage, printing, TDY, clerical support, advertising, and communications.

General TEMPLE. Mr. Chairman, we will do likewise. But, I would like to elaborate a bit on General Walker's comment about the issue of spare parts and equipment. Given the acceleration of training in the Army Guard and space required for training, we typically bring our equipment together at training sites. The kinds of equipment in our inventory such as tanks, or armed personnel carriers, and artillery pieces require a great deal of terrain to use them. And we find that to be the most productive way to accomplish training for our units.

As we train more, the equipment is being used more, not only by guardsmen but by Regular Force elements, as well as other services and the U.S. Army Reserve. Given the age of much of the equipment that is in those equipment pools, the breakdown rate has increased to the point that if we do not have adequate spare parts, we will not only not be able to effectively train the force, but, given the fact that that is the equipment with which we will have to go to war, we will not be able to employ it and sustain it on the battlefield.

So, those spare parts may not be a very sexy subject, but for those of us who have to live with the problem every day, it is a very significant issue.

[The following information was received for the records:]

PRIORITY UNFUNDED REQUIREMENTS

Priority unfunded operation and maintenance requirements for the Army National Guard in FY 87 are as follows:

Repair parts—$5 million to increase Authorized Stockage List and Combat Prescribed Load List stockage levels.

Organizational Clothing and Equipment [OCE]—$48.9 million, composed of $30 million for kevlar helmets, combat vehicle crewman's uniforms and reduction of the OCE backlog, projected to be $362.4 million in FY 87, and $18.9 million for medical and dental equipment sets.

Armory Support—$25 million for assistance to the States based on increases in Federal missions, composed of $15 million to support utility and communications costs for increased Federal employees assigned to state operated armories, $8 million for major armory repairs such as roofs, boilers, and heating, ventilation, and air conditioning systems to be funded 50 percent with Federal funds and 50 percent with State funds, and $2 million for modification and repair of office and work space to accommodate increased Federal employees assigned to State operated armories to be funded 75 percent with Federal funds and 25 percent with State funds.

Maintenance and Repair—$6 million for reduction of the Backlog, Maintenance and Repair.

Mr. HUTTO. Yes, sir. I understand. Mr. Montgomery.

Mr. MONTGOMERY. Thank you, Mr. Chairman. I would like the record to show that this will be the last time that General Walker will testify, probably, before the Readiness Committee. He—I think I am right, I hope I am wrong—that he will retire in August as Chief of the National Guard Bureau. He has been outstanding and we are going to miss him.

General WALKER. Thank you, Congressman Montgomery, I appreciate that.

Mr. MONTGOMERY. OK. Back to reality here, General Walker.

General **Walker**. I am afraid that is reality, sir. [Laughter.]

Mr. **Montgomery**. That is reality, yes. I have been going to a number of these enlisted Reserve association meetings and meeting with them, and I am serious, the GI bill and commissary privileges are the top priority. What should we do on that, or how should we approach that, General Walker? I know you have been involved in some studies on some commissary privileges for reservists.

We, let's see, the Senate has in their bill, and we knocked it out in the House authorization conference last year, we did not knock it out—some of us were not able to persuade the conference to go along with commissaries for reservists.

General **Walker**. Let me answer that then, by saying, sir, that you know that they had a test on Reserve component use of the comissaries which ended October 1, 1985. A report was submitted by the Department of Defense to OMB. The test was said to be inconclusive and showed the impact would increase the patronage and the cost of running the commissaries. We had low participation, I believe about 8 percent participation. OMB recommended that the year-round benefits of the test not be put into force for the Reserve components.

Before the test started, the argument was that the Reserve component would flood commissaries, drive up costs, and require more people to run the commissaries. When the test proved that we had a low participation rate, OMB concluded that the Reserve components do not consider this a very important incentive to them. I submit to you that the reason for that low participation is that people are not going to travel long distances to shop in a commissary.

And, that those that have ready access to it are going to use it.

That does not mean, though, that Reserve component soldiers should be second-class citizens and not have the chance to use it. And, I think that is the perception they have. It is considered, as the enlisted people you have mentioned told you, to be a very important incentive, and I think it must be granted to the Reserve components.

General **Berkman**. May I just add one comment to that, Mr. Montgomery, and that is, that as we put this in the context of the importance of family support for Reserve members who are participating and contributing so much of time and effort away from families, that this is of importance, not only to the individuals, but to family support. And, I think it is important to point out that this proposal would not increase access to commissaries for the benefit of Reserve members and their families, it would only affect the times when these benefits may be used. It is merely an adjustment that, rather than requiring the benefit to be used during annual training, allows it to be spread 1 day a month throughout the year. Such an adjustment would be a significant enhancement to the benefit and would result in improved support from families as well as individuals.

General **Walker**. May I reinforce what General Berkman just said? The bill that was put before the Congress did not increase Reserve component soldier utilization of the commissaries one iota from what they are authorized today. They are authorized, while they are at annual training, normally for 15 days, to use the commissary. The bill authorizes 14 days throughout the year. So, it has not increased at all. We are just asking, for use year round, rather than just during the 15 days that our soldiers attend annual training.

Mr. MONTGOMERY. What do you think, General Walker, would be the minimum for a commissary privilege and how should we word it?

General WALKER. I very frankly think we ought to say 1 day a month. One day a month would be sufficient.

Mr. MONTGOMERY. One day a month.

General BERKMAN. I agree, sir.

Mr. MONTGOMERY. We ought to make a note of that, Mike, Mr. Chairman, and look into that because that is a burning issue out there.

I only have a couple of more questions. One is for General Temple, and one is for General Berkman. General Berkman, one thing we are going to have to do on the GI bill, I think, is show where it can be a cost savings factor, by retention, by signing up longer than a 3-year period, and I say that to our other reservists, the Marines and the Coast Guard and the Air Reserve. That is important. If we can show that it is not a big money factor at this time, and it is a moneysaver, we have got the program for 3 years. I do not care what they do. And, so, we are talking about the future.

We are on the offense.

General BERKMAN. Yes, sir; I agree. There are two aspects. One, is to attract and bring people in, opening the market to individuals interested in reserve service, by virtue of being able to contribute to their educational resources.

And, then, there is the other aspect of keeping individuals in longer. And, with our more limited educational assistance program that we had before the GI bill, we had statistics that indicated that those individuals who were brought in and were participating, stayed longer, the retention was better, and that will be the case with individuals with the GI bill as well.

And, to the extent that you retain an individual longer, for a longer period of service, you are making better—taking better advantage of the training resources that went into training that individual in the first place, as well as improving the readiness of the units.

Mr. MONTGOMERY. How much does it cost you to train a recruit Army reservist?

General BERKMAN. Let me give you the exact figure for the record. I think it is $5,000 to $6,000 that we estimate for a non——

Mr. MONTGOMERY. What is it, General Temple, on the Army?

General TEMPLE. I think it is a little bit larger than that. Closer to $7,000 for the Army Guard.

General BERKMAN. It would be the same for both of the components.

Mr. MONTGOMERY. OK. General Berkman, I want to commend you for the work you have done on the Individual Ready Reserve. You have brought it a long way, and most of the responsibility does fall under the Army Reserve shop, and when we are critical of it, we are not talking about now, we are talking about in the past. We had to move it up to the front burner and let people know it was a problem, and that it would not be there if we needed it, but you have got it now where it is moving well.

And, General Temple, my last comment, question to you: what end strengths do you have to meet now, and can you make it without other incentives as far as the Army National Guard is concerned. I think you have more of an increase than any other of the reserve forces.

General TEMPLE. Sir, given the remainder of the decade, and projecting. Looking to the early 1990's, the Army Guard strength is programmed to reach very close to 500,000. Today, we are at approximately 438,000. We should end the year at approximately 450,000. All the indications are that we will achieve our strength goal this year. We are less certain about subsequent years insofar as strength is concerned. This is a very transitional period for us in the Army National Guard, in trying to identify those trends that will permit us to make strength.

Earlier this morning there was a rather in-depth discussion between Congressman Whitehurst and the Secretary on the issue of the declining strength pool. We see that as being a major issue for us. The GI bill, we feel, will be a significant contributor to achieving strength goals, which both of my associates here have addressed. But, we think it is a very real problem for the Army Guard.

Incentives are one of the key issues in being able to attract young men and women into the Army Guard, and, more importantly, perhaps, keep them. We have a heavy investment in those people that are currently members and who will be coming into the Guard, and the ability to be able to retain them over a period of years, in meeting their service obligation, is very important to us. And, that is one of the key benefits of the GI bill from my standpoint.

It will continue those people in school, and as members of their unit, and will have a lasting effect upon their contribution to America, not only in uniform, but for those years later—like many of us may remember, it has played a part in our life.

Mr. MONTGOMERY. Let me comment. As I mentioned earlier, I have introduced the bill, H.R. 1500, that would give the President authority to have a draft, but I doubt if we got it out of committee, it would get 50 votes.

So, Mr. Chairman, we have just got to make the all volunteer system work, because you are not going to get a draft unless they are landing on the shores out there at Maryland, and then that might be too late.

Mr. HUTTO. Thank you, Mr. Montgomery. You are right. Unless the President wants one and asks for a draft, I do not think there is any way—you know, the last vote we had on the floor, it failed surprisingly.

Mr. MONTGOMERY. John McCormack, a moderate liberal from Massachusetts, and Speaker of the House, would brag that his vote was a key vote to get a draft in 1938 or 1939, when Europe was on fire, and it was so hard then—by one vote. We got a draft, and started getting prepared, and thank God we do not have those problems now. But, it would be hard to get some type of draft passed through the Congress.

Mr. **Hutto**. And, that is why it is so important to have a good Reserve and good Guard.

Mr. Darden.

Mr. **Darden**. Thank you, Mr. Chairman. I want to be very brief. But, I want to emphasize to General Walker and the rest of the panel that, from what I have seen, my conversations with members of this panel, and particularly Mr. Montgomery, that it appears to me that the principal incentive for National Guard recruitment is the GI bill. I think you have emphasized this, all of you today, in your prepared statements, and also in your remarks. I want to say that I am amazed that the administration has recommended the termination of the GI bill, which is our—I think our chief tool toward recruitment. I want to assure you of this panel's continued support of this.

Second, I want to point out that the Congress has almost had to pull the Pentagon kicking and screaming into the area of drugs and addiction. We believe that this is a national security issue, just as if enemy troops were coming into our borders. I do not think we can overemphasize the critical nature of the threat of illegal drugs to people in this country.

I notice, General Walker, that on page 2 of your prepared statement, you mentioned the National Guard's increased involvement in drug interdiction efforts. Would you tell us what kind of activities that the Guard is engaged in to support this effort, and what additional initiatives may be considered to further increase Guard support to drug interdiction?

General **Walker**. Yes, you may recall, I believe it is 2 years ago, that Congress passed the Posse Comitatus Act, that many thought affected the Guard. But, the Guard with its State mission, when in a State active duty status, is not affected by posse comitatus.

So, in our State status, we can help in many ways in this drug interdiction program. We have authorized our Guard personnel to assist while in training in anyway legally possible. In other words, in your State of Georgia, you have Mohawk aircraft down there with very sophisticated equipment. They have done many things in Georgia and in the water bordering Georgia. They have seen, for example, and reported to the drug enforcement people, boats transferring drugs. Because of this, many illegal drugs have been dumped in the Atlantic Ocean. The Georgia National Guard has done a tremendous job.

We have authorized our pilots, if, when flying over fields they spot marijuana growing, to report that to the drug enforcement officials. We have done some work with the border patrol; we have, in fact, loaned them helicopters. We have performed maintenance work on their helicopters and they have been most gracious in their praise of us for the work we have done.

We are authorized to loan equipment to law enforcement agencies and we do this—as often as possible through prearranged agreements with them, rather than going through the normal lengthy process.

We have furnished airlift, with our helicopters, of agents into an area. We do put guardsmen in there to enforce the law. We just lift drug enforcement agents into the area where they can go in and cut down marijuana and collect it. You cannot believe the volume of marijuana, for example, that we have been a party in helping eliminate by providing support to drug enforcement personnel.

So, we have been very active in this area, sir, and I just cannot say to you enough that we need support. This is the biggest cancer that this country has ever had in my judgment and we have to support them in everyway.

Mr. DARDEN. Well, let me emphasize, Mr. Chairman, I know, of no mission that the Guard does which creates more public support for their effort. Those of us who have the responsibility of voting on authorizations, are finding a lot of strong support for the Guard and the work you do, from people who might have an anti-military, anti-Guard bias, solely because they see this drug interdiction program working. So, I think in addition to its primary purpose of interdicting drugs and helping an inadequate State and Federal police force, I think it is creating a tremendous amount of goodwill for the Guard, and I just want to encourage these efforts and ask that they be enlarged.

Mr. HUTTO. Yes, I appreciate that. Thank you, Mr. Darden.

Mr. DARDEN. Thank you, Mr. Chairman.

Mr. HUTTO. General Walker, General Berkman, General Temple, we thank you very much for your testimony. We may have some questions to present to you for the record. General Walker——

General WALKER. May I say one thing, sir?

Mr. HUTTO [continuing]. Yes, sir.

General WALKER. We had in the 1986 appropriation, something over $300 million appropriated, but not authorized for equipment. This committee this morning has expressed its desire to see that we get proper equipment, and we would ask, and I am sure—I know that General Berkman and others have the same problem—that if we do not get that authorization, we might lose that equipment.

Mr. HUTTO. OK.

General WALKER. We ask this committee to help us in getting that problem solved.

Mr. HUTTO. We will certainly check on that. As you know, there has been an ongoing battle between the Authorization and Appropriations Committee. Sometimes they appropriate things we have not authorized, and there is a jurisdiction problem there, but we are very supportive of the Guard and the Reserves, so maybe we can work that out.

General WALKER. Thank you.

General BERKMAN. Thank you very much.

General TEMPLE. Thank you.

Mr. HUTTO. Thank you for mentioning that. Thank you all for your testimony.

General BERKMAN. Thank you, Mr. Chairman.

Mr. HUTTO. At this time, I would like to call our next panel up. Vice Adm. Cecil Kempf, Director of Naval Reserves, Office of the Chief of Naval Operations, Department of Navy; Maj. Gen. L. Buehl, Deputy Chief of Staff, U.S. Marine Corps; Rear Adm. Alan D. Breed, Chief, Office of Readiness and Reserve of the U.S. Coast Guard.

So, gentlemen, if you would please take your seats at the table. We welcome you before the committee, and I would like to say that we are running short on time. Maybe, if you could summarize your statements, then we will be happy to enter the full statement into the record, and perhaps we will have a chance for a few questions and submit the rest of them for you to provide for the record.

So, Admiral Kempf and all of you, welcome, and you may proceed.

STATEMENT OF VICE ADM. CECIL J. KEMPF, DIRECTOR OF NAVAL RESERVE, U.S. NAVY

Admiral KEMPF. Yes, sir, Mr. Chairman, and members of the committee. It is my pleasure to appear before you today to talk about the progress we have achieved in the Naval Reserve and to present our program for fiscal year 1987.

I am happy to report continued increases in drilling Selected Reserve strength, almost 111,000 at the end of fiscal year 1985. We expect that number to grow to more than 118,000 by the end of fiscal year 1986, to more than 127,000 by the end of fiscal year 1987, and to almost 137,000 in the early-1990's.

Naval Reserve Force readiness has continued to show an overall improvement over the past year.

Aviation units are benefiting from our force modernization efforts, which provide state-of-the-art aircraft and weapons systems to the Naval Reserve.

The readiness status of the ships assigned to the Naval Reserve continues to increase. This improvement is particularly noteworthy, since it has occurred while our frigate fleet is expanding.

Other commissioned units of the Naval Surface Reserve Force are also reporting increased readiness. More equipment and mobilization-oriented training opportunities have produced a 4-percent improvement in the top categories of overall readiness for Reserve naval construction battalions, inshore undersea warfare units, cargo handling battalions, and special boat units.

The Navy is embarked on an ambitious program to modernize the Naval Reserve.

By the early-1990's more than 50 Naval Reserve ships will be available for immediate deployment with the fleet. This year we will add 4 more *Perry* class FFG-7's, bringing our frigate total to 15; 3 more FFG-7's, and one FF-1052 in fiscal year 1987 will bring us to a total of 19 frigates.

Beginning in fiscal year 1988, three new *Avenger* class mine countermeasures ships [MCM's] will join the Naval Reserve Force, followed by a surface-effects MSH class in fiscal year 1989. These new construction ships will be assigned to the Naval Reserve after each operates as a part of the Active component for 1 year.

Nowhere in the Naval Reserve are horizontal integration and modernization efforts more evident than in the Naval Air Reserve.

Our first Reserve F/A-18 squadron received its initial increment of aircraft in October 1985; the second squadron will begin transition late this year. Two of our light attack squadrons have transitioned from A-7B to A-7E aircraft, and the other two will transition by September 1986.

Two fighter squadrons have F-14's, and the other two will begin transition to the F-14 late this year. Congressional addition of five A-6E aircraft in the fiscal year 1986 budget has also opened the door for establishment of medium-attack capability in the Naval Air Reserve.

Both of our airborne early warning squadrons will have transitioned to E-2C's by the end of this year.

By the end of fiscal 1986, our maritime air patrol air capability will be enhanced markedly, through the completion of the TACNAVMOD Program for our Naval Reserve P-3 A and B aircraft. In 1988, we begin the transition of the first P-3C reserve squadron, with the six P-3C update III aircraft authorized and funded in fiscal year 1986 budget.

Also, we plan to consolidate our two Naval Reserve light-attack helicopter squadrons and the one combat search-and-rescue squadron to form two helicopter combat-support special squadrons.

In 1987, the Naval Reserve assumes a new mission with the standup of the first of two Reserve airborne mine countermeasures helicopter squadrons, flying the RH-53D.

In summary, Mr. Chairman, our ambitious program to expand and modernize the Naval Reserve is on course and accelerating. We are increasing the number of Selected reservists in order to meet wartime requirements as rapidly as feasible. We are expanding our cadre of TAR personnel to man and support increasing numbers of modern ships, and aircraft, and to support and train a growing Selected Reserve.

We are implementing new training programs to keep pace with the demands of a more sophisticated Naval Reserve. We are adding new missions and refining existing ones.

We are proud to say that the Naval Reserve is evolving rapidly from a force in reserve, to a force in being—a force on the move.

I will be happy to respond to any questions, or provide any information you may require.

Mr. HUTTO. All right. Thank you, admiral. We will go on and have the other statements, and then we will ask questions.

PREPARED STATEMENT VICE ADM. CECIL J. KEMPF

Mr. Chairman and Members of the Committee:

It is my pleasure to appear before you today to report the progress we have achieved in the Naval Reserve and to present our program for Fiscal Year 1987. Congress has made a substantial investment in the Naval Reserve during recent years. You should know how we have implemented that investment. I believe we have earned a return well worth your trust. Let me discuss for you how far the Naval Reserve has come and where we are going.

THE NAVAL RESERVE IN THE MARITIME STRATEGY

The Secretary of the Navy and the Chief of Naval Operations have both articulated, in some detail, our Maritime Strategy and its role in meeting our National Military Strategy. As they have indicated, the Navy not only has a crucial role in meeting wartime requirements of the National Strategy, it is the service most often called to respond to contingencies short of war. As Admiral Watkins has said, we now live in an era of "violent peace." As a direct result of world events associated with this violent peace, the Navy has been required to perform at unusually high levels of peacetime operations. This high tempo of operation has compounded the demands on Navy personnel and equipment which are associated with forward deployment--a keystone of our Maritime Strategy.

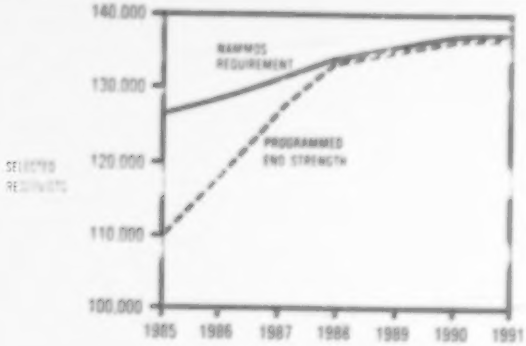
The Naval Reserve also has a wartime and peacetime role. Our mission, simply stated, is to provide trained units and qualified individuals for active duty in time of war or national emergency and at such other times as required by the President to perform specified operational missions. In peacetime, we train to ensure that each unit and every individual is ready when called to assist the Navy, when practicable, in performance of its peacetime mission.

The Naval Reserve is integrated fully into the Navy's force structure and plans for fulfilling the Maritime Strategy. Our contribution continues to expand as the size and capability of the Naval Reserve increases, but there are finite limits on how many Naval Reservists we can attract and retain and how large a portion of the Navy's force structure can or should be in the Naval Reserve. These limitations are, in large part, determined by forces outside the Navy, such as demographics and the National Command Authority's force level requirements to meet peacetime commitments. However, the Navy is committed to strengthening the Naval Reserve as rapidly as feasible and expanding the Reserve portion of our total force as much as is prudent. Our progress to date and our program for the future underscore these commitments.

Selected Reserve Strength

I am pleased to report continued increases in drilling Selected Reserve strength. These Selected Reservists, almost 111,000 at the end of Fiscal Year 1985, are the core of the Naval Reserve program. They are the Navy's primary source of immediate mobilization manpower. We expect the number of these Selected Reservists to grow to more than 118,000 by the end of Fiscal Year 1986, to more than 127,000 by the end of Fiscal Year 1987, and to almost 137,000 in the early 1990'S.

NAVAL SELECTED RESERVE STRENGTH
48 DRILL PAID



	85	86	87	88	89	90	91
NAMMOS	126,100	128,583	130,518	133,603	135,137	136,593	136,738
JAN 86 DNFYDP	110,989	118,209	127,328	133,603	135,137	136,593	136,738

NOTE: REQUIREMENTS AND END STRENGTH INCLUDE CATEGORY "A" AND "G" DRILLING RESERVE ONLY. EXCLUDES PERSONNEL ON INITIAL ACDUTRA, IRR, IMA D, AND FULL TIME SUPPORT PERSONNEL.

The requirement for Selected Reservists, and all other manpower for mobilization, is determined by the Navy's Manpower Mobilization System (NAMMOS), based on the analyses of the fleet commanders-in-chief and other major commands' demands for manpower. Selected Reserve strength is programmed to meet NAMMOS requirements shown in the graph above by the end of Fiscal Year 1988, on the assumption that the requested personnel incentives are approved and funded.

We met the dual challenges of recruiting and retention last year. Congress authorized an average strength of 124,100 total Reservists in a paid status in Fiscal Year 1985. We achieved an average strength of 123,762 and reached an end-strength of 130,025. Within that total end strength, the Naval Reserve had 15,012 Reservists on full-time active duty, compared to the authorized ceiling of 15,210.

In Fiscal Year 1986, the authorized minimum average strength for Naval Reservists in a paid status and end strength for full-time active duty Reserve personnel are 134,212 and 19,010, respectively. We are confident of our ability to achieve these goals.

Our request for Fiscal Year 1987 is for an average strength for personnel in a paid status of 147,500, and for an end strength of 23,197 full-time active duty Reservists. Training and Administration of the Reserve (TAR) personnel and "Section 265" officers account for 21,647 of this end-strength; the remaining 1,550 are Reserve recruiters on Temporary Active Duty (TEMAC).

SUMMARY OF PERSONNEL IN PAID STATUS

	FY 1985		FY 1986		FY 1987	
	AVG STR	END STR	AVG STR	END STR	AVG STR	END STR
DRILLING SELECTED RESERVISTS	105,334	110,009	112,504	118,209	121,392	127,328
FULL-TIME SUPPORT (FTS) PERSONNEL	14,297	15,012 (TAR ONLY)	17,464	19,010	21,025	23,197
TOTAL RESERVE PERSONNEL IN A PAID STATUS	123,762	130,025	134,500	142,153	147,500	155,700

PERSONNEL IN TRAINING CATEGORIES D, F, U, ARE NOT SHOWN SEPARATELY BUT ARE INCLUDED IN TOTAL

In Fiscal Year 1985, Naval Reserve personnel on full-time active duty were exclusively those in the Training and Administration of the Reserve (TAR) Program and included a small number of recalled Selected Reserve officers. Beginning in Fiscal Year 1986, personnel on Temporary Active Duty (TEMAC) in support of the Naval Reserve are counted in Reserve full-time support.

The drilling Selected Reserve is programmed to increase by 9,119 between the ends of Fiscal Years 1986 and 1987. These personnel are necessary for the Naval Reserve to fulfull its expanding role, particularly to man new ships and aircraft, and to provide personnel in such mission areas as Maritime Defense Zones, mine countermeasures and medical support.

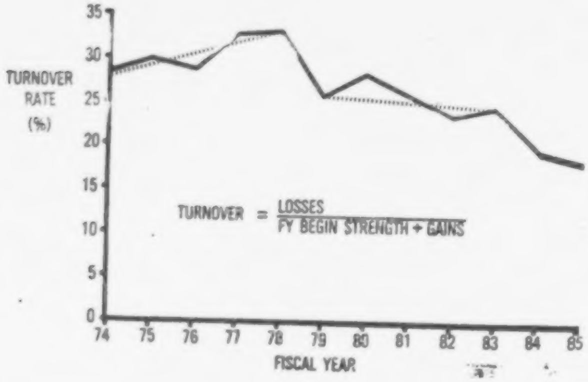
Growth of full-time active duty Reservists - 4,187 from Fiscal Year 1986 - is necessary for several reasons. The number of Selected Reservists, who require training and administration, continues to grow. Programs such as new ships, aircraft, and maintenance activities place greater demands for these personnel. It should be noted that there is an increased demand for recruiters to build a larger Reserve force and replace its attrition. This year's program growth is somewhat exaggerated because of the 500 congressional cut in Fiscal Year 1986.

The Navy men and women we call TAR's are unique in the Armed Forces. They are Reservists on full-time active duty whose job it is to administer and train our drilling Reservists. More importantly, they are career military who are in most cases indistinguishable from their regular component colleagues. TAR's experience the usual Navy permanent change of station (PCS) moves, are on call seven days a week, and perform the same tasks as their regular Navy counterparts. In fact, at any given time, approximately one out of five TAR officers is serving with a regular component activity. Naval Reserve ships--manned predominantly by Reservists--are programmed to be operated at about 75 percent of the rate of active force ships that are not deployed. TAR's in our aircraft squadrons receive virtually the same training and meet the same standards as active force personnel, operate from coast to coast, deploy briefly aboard carriers, and--in the case of patrol and transport squadrons--deploy for short periods overseas to fly operational missions for the Navy.

Our expanding Selected Reserve, together with the introduction of state-of-the-art ships and aircraft, mandate that we attract and keep qualified TAR personnel. Incentives such as the Selective Reenlistment Bonus (SRB) for Reservists on full-time active duty in support of the Reserve components will help determine whether we succeed in attracting and retaining the necessary personnel.

We continue to see improvement in the enlisted Selected Reserve turnover rate. During the past year we lowered our previously best turnover rate by .4 percent to 18.7 percent. Turnover rate is calculated as losses divided by the sum of beginning inventory plus gains (for a fiscal year). The chief benefit of a low turnover rate is the stability gained by the force. Consequently, fewer new accessions and less initial active duty training are required to meet target strength increases. On the following chart, the dotted lines indicate the unfavorable trends of the late 1970's as well as the very positive direction of the 1980's.

ENLISTED SELRES
HISTORICAL TURNOVER RATES



Retention of our Selected Reservists is an item of very serious concern. Of particular importance is keeping our members assigned to high-priority units. For example, a Naval Reserve ship is usually underway each drill weekend, including Friday nights, and most of the annual two-week training period. Except for a fifth paid weekend drill, Selected Reserve crewmembers receive no additional incentive for remaining around the clock in an at-sea environment. Other Reservists receive the same pay and drill credit, but usually enjoy free time after normal working hours to be with their families and friends. It is understandably difficult to rely strictly on pride and professionalism to man such units, and I believe the other Reserve components are in a similar quandry.

The legislative proposal for unit incentive pay of $10.00 per drill would go a long way towards relieving this dilemma. I urge you to consider this request favorably. A modest $50.00 more for each drill week-end, $600.00 per year maximum, would give these Reservists not only a monetary incentive but also a clear recognition that they are contributing more.

Readiness Improvements

Naval Reserve Force readiness has continued to show an overall improvement over the past year. Because of the accelerated transition and modernization program, many of our units must report reduced readiness while awaiting new equipment, training flight crews, and performing modifications to existing aircraft. Naturally, this lowers the overall readiness of our commissioned units but is necessary to improve our capability. Improvements in recruiting, training, and retention have helped to increase the manning of our non-hardware reinforcing and sustaining units that will augment active forces upon mobilization.

Aviation units are benefiting from the force modernization efforts with increased capabilities of state-of-the-art aircraft and weapons systems. Squadrons outfitted with fleet-compatible aircraft are mobilization-ready assets available to fleet commanders. I am confident that existing and proposed aviation modernization programs will enable us to continue our progress in aircraft squadron and wing readiness.

The readiness status of ships assigned to the Naval Reserve continues to increase. The measured steps we have taken to improve manning aboard our ships and to enhance training are beginning to show encouraging results. Readiness reported by fleet commanders has continued to increase for Naval Reserve ships over last year's average. This improvement is particularly noteworthy since it has occurred while our frigate fleet is expanding. Although the total number of ships decreased by two during FY-85, the number of modern FFGs continued to increase. There has been a generally improving trend in ship readiness.

The other commissioned units of the Naval Surface Reserve Force are also reporting increased readiness. Over the past year a combination of more equipment and mobilization-oriented training opportunities has produced a four percent improvement in the top categories of overall readiness for Reserve Naval Construction Battalions, Inshore Undersea Warfare Units, Cargo Handling Battalions, and Special Boat Units.

Our more than 2700 reinforcing and sustaining units are reporting better manning, an increase of four percent during Fiscal Year 1985. This increase is, primarily, the result of better recruiting and increased emphasis on retention. Overall readiness of these units has taken a temporary dip during 1985. The reasons for the decline were a reevaluation of unit training goals and an increase in total personnel, with new affiliates being untrained.

Equipment Modernization

The Navy is embarked on an ambitious program to modernize the Naval Reserve. Secretary Lehman captured the essence of this effort in 1982 when he first described the new policy as "Horizontal Integration" of equipment. His Fiscal Year 1987 posture statement details this policy:

> "To execute this common sense policy, the Reserves must have equipment comparable with the active forces. For instance, instead of providing the Reserves only such equipment as becomes obsolete and is removed from the active force, there must be a spectrum of new and old equipment reflected in the Reserves parallel to and in the same proportion as that in the active force."

Naval Surface Reserve

Secretary Lehman has indicated that the Naval Reserve Force will be an essential part of the 600 ship Navy. By the early nineties more than 50 Naval Reserve ships will be available for immediate deployment with the fleet. This year, we will add four more PERRY class FFG-7s to the Naval Reserve Force, bringing our frigate total to 15. Three more FFG-7s and one FF-1052 in Fiscal Year 1987 will bring us to a total of 19 in our ambitious program to assign 26 modern frigates to the Naval Reserve Force by 1990. This year, we established three Craft of Opportunity Program (COOP) units, for a total of nine, with five more programmed for Fiscal Year 1987. We are also adding three salvage ships to the Naval Reserve this year. We have commissioned one more Mobile Inshore Undersea Warfare unit and will add two more in FY-87 for a total of 20 units.

Today, the Naval Reserve contains 85% of the Navy's Minesweeper (MSO) capability. Beginning in Fiscal Year 1988, three new "Avenger" class Mine Countermeasures ship (MCM) will join the Naval Reserve Force, followed by a surface-effects [illegible] class in Fiscal Year 1989. These new-construction ships will be assigned to the Naval Reserve after each operates as part of the active force component for one year.

Naval Air Reserve

Nowhere in the Naval Reserve are horizontal integration and modernization efforts more evident than in the Naval Air Reserve. Our first Reserve F/A-18 squadron at NAS Lemoore, California received its initial increment of aircraft in October 1985, and a second squadron will begin transition late this year. Two of our light attack squadrons have transitioned from A-7B to A-7E aircraft and the other two will transition by September 1986.

Of our four fighter squadrons, the two San Diego-based ones have F-14's and the two Dallas squadrons will begin transition to the F-14 late this year. It is noteworthy that the accelerated transition of these last two Reserve F-14 squadrons was made possible by a Congressional addition of $68 million to the FY-85 Budget for the remanufacture and upgrade of 25 pre-production and early production F-14 aircraft to present fleet configuration. Congressional addition of five A-6E aircraft in the FY-86 Budget has also opened the door for establishment of medium attack capability in the Naval Air Reserve. Two of our light attack squadrons will convert from A-7E's to A-6E's, one in 1989 and the other in 1990. These squadrons will also receive KA-6D tanker aircraft, permitting the disestablishment of our two existing tanker squadrons now flying KA-3B aircraft, which face service life expiration.

Both of our Airborne Early Warning (AEW) squadrons will have transitioned to E-2C's by the end of this year. With the programmed transition of our two EA-6A squadrons to EA-6B aircraft, starting in 1990, the modernization of our carrier air wings will be complete.

One of the combat-ready Reserve air wings will provide the Navy with a carrier air wing for the 15th Carrier Battle Group, ready to deploy upon mobilization. The other mobilized air wing would board the 16th carrier when it was extracted from the Service Life Extension Program (SLEP).

The Naval Reserve retired the last of its C-118 aircraft in 1985. We also purchased three more used DC-9 aircraft that year, bringing the total Naval Reserve inventory to 27 C-9B/DC-9 aircraft. Past studies have shown a requirement for approximately 37 jet transport aircraft to support 12 battle groups and a new study is underway to determine aircraft requirements to support the Navy's 15 battle groups. The results of that study are expected in March 1986.

By the end of Fiscal Year 1986, our Maritime Patrol Air capability will be enhanced markedly through the completion of the TACNAVMOD program for our Naval Reserve P-3A/B aircraft. We plan to stand up a second Master Augment Unit (MAU) to train crews in fleet model P-3C's for augmentation of active force squadrons upon mobilization. Additionally, in 1988 we begin the transition of the first P-3C Reserve squadron with the six P-3C Update III aircraft authorized and funded in the Fiscal Year 1986 Budget.

We have also made great strides in our rotary wing aircraft communities. In October 1985, we completed the transition of our third and final LAMPS MK I squadron with the commissioning of HSL-94 at Willow Grove, Pennsylvania. Also, to fulfill fleet requirements we plan to consolidate our two Naval Reserve light attack helicopter squadrons and the Navy's one and only Combat Search and Rescue (CSAR) squadron to form two Helicopter Combat Support Special (HCS) squadrons, one on each coast. These squadrons will provide helicopter augmentation to Navy Special Warfare Units as well as CSAR capability for the fleet. A new, all-marinized aircraft to support the HCS mission has been defined and Navy will soon request proposals from industry to obtain the most effective aircraft possible at a reasonable price. Funding for this program, so far, is limited to the $37 million added by Congress to Fiscal Years 1985 and 1986.

In 1987, Naval Reserve assumes a new mission with the stand-up of the first of two Reserve Airborne Mine Countermeasures (AMCM) helicopter squadrons, flying the RH-53D. The second squadron will be formed in 1989. These squadrons will sited on opposite coasts to enhance responsiveness. To increase their effectiveness further, we are looking at Mobile Support Vans for these squadrons which would increase their mobility, supportability and sustainability.

Training

The primary mission of the Naval Reserve is training to maintain mobilization readiness. The Naval Reserve operates 258 training sites, ranging from small Reserve centers to major air stations which become fleet operational bases upon mobilization.

The 234 Reserve Centers nationwide provide training for the more than 2,000 reinforcing and sustaining units in the Naval Surface Reserve Force. Thirty-five of these Reserve Centers bring the ship to the sailor with the Shipboard Simulator (SBS). There are also 44 centers equipped with damage control trainers (DCTs). Plans call for a total of 73 DCT's.

The Naval Reserve brings Selected Reservists to their gaining commands or to centralized training sites to receive cost-effective, "hands-on" training which would not be available at their Reserve centers. Fifty-four Reserve centers are being re-designated "Readiness Centers" to coordinate and schedule this hands-on training for Reservists in specific geographic areas as well as provide intermediate skill training, a level between local Reserve Center training and that available at gaining commands and fleet facilities. Establishing Readiness Centers is key to building the Surface Reserve without constructing additional Reserve Centers. Inactive Duty Training Travel (IDTT) funds (formerly WET) will support training at the gaining command, active training facility, or at Readiness Centers.

Our Surface Reserve training strategy took a major step forward with the integration of the Naval Reserve into the Navy Training Plan (NTP) process, allowing the identification of Reserve training requirements.

Formal training at Fleet Training Centers on weekends commenced 1 October 1985 with the support of active and Selected Reserve instructors. The total effort will be in place in Fiscal Year 1987 with the assignment of TAR instructors to Fleet Training Centers to support 44,000 weekend student quotas.

The Automated Billet Qualification Tracking System (ABQTS), which tracks an individual's progress in qualifying for a Reserve billet, is progressing well. A pilot program for the system is in place at all Shore Intermediate Maintenance Activities (SIMA's). We expect full implementation, nationwide, in Fiscal Year 1987.

In order to strengthen instructor capability at Reserve activities, we have developed a formal exportable training program which will transport the instructor from the active training site, gaining command or large Reserve activity to remote sites in order to complement local instructor capability.

Pilot programs began in 1985 for shipboard units, SIMA's and Cargo Handling Battalions.

To augment local instructor capability further, a formal contract instructor program will provide training not available or economical within our own system. We will take advantage of VOTECH, trade school, junior college and contractor specialized training, such as the Shop Qualification Improvement Program (SQIP) and hospitalman VOTECH program.

We have produced the first Navy Training Plan for Reserve Inshore Undersea Warfare units. It accurately identifies the training support requirements for that program. NTP's for the remaining 30 programs will follow over the next three years.

Navy Enlisted Classification (NEC) attainment methods for Naval Reservists are also progressing well. Methods include modularization of short NEC advanced schools, development of appropriate VOTECH programs, and identification of civilian equivalent experience and training.

We are improving on-board Naval Reserve instruction through the development of Qualification Study Packages (QSP's) to support Personnel Qualification Standards requirements, by interactive video to provide computer-capable instruction that will support curricula with small student populations, and through conversion of existing Navy curricula to weekend formats.

The Naval Air Reserve, in addition to providing combat ready hardware units for mobilization, must also provide trained aircrews and maintenance personnel to fleet squadrons upon mobilization to fill wartime allowances for those squadrons. For aircrew personnel alone, this commitment requires training for more than 800 pilots and aircrewmen in most of the Navy's aircraft communities.

Until 1984, we attempted to train these personnel in our Reserve squadrons, but we could neither accommodate sufficient personnel nor train them in fleet-compatible equipment. In 1984, we established Squadron Augment Units (SAU's) in Fleet Replacement

squadrons to train these personnel in fleet-compatible aircraft. We also have a Master Augment Unit (MAU) at NAS Brunswick, Maine, flying P-3C aircraft on loan from the active force. In 1985, we expanded this concept to fly our SAU and MAU aircrews in the fleet squadrons to which they will mobilize.

We are most pleased with the progress of this program. We now have SAU's flying F-14A, A-6E, E-2C, S-3A and SH-3H aircraft. Soon, another SAU will begin flying C-2A aircraft in VRC-40 at Norfolk. In Fiscal Year 1987 we plan to commence SAU training in our F/A-18 aircraft at NAS Lemoore, California.

Overall, the quality and availability of training are showing significant improvement. The increases in individual skill levels for our reinforcing units are direct additions to the warfighting ability of the fleet upon mobilization. Gains in these key areas enhance the support the Naval Reserve provides every day to Navy active force units as a by-product of mobilization training.

INTEGRATION WITH THE ACTIVE FORCE

A major strength of the Naval Reserve is the degree of integration with the Navy's active force.

The Navy's Total Force advocate reviews contingency plans to determine which mission areas, and to what degree, should be in the active or Reserve component. The Navy's Manpower Mobilization System (NAMMOS) determines the full spectrum of mobilization manpower requirements, including the Selected Reserve. More than any other service, the Navy depends on Reservists to augment active force units upon mobilization. Reservists and Regulars train together to meet the same readiness criteria. This unique degree of integration has evolved into a healthy interdependence.

Mutual Support

"Mutual support" describes those Naval Reserve training evolutions which also provide direct assistance to active duty units in the performance of their peacetime mission. This mutual support encompasses almost all mission areas and is a preferred method of training, since tasks performed during peacetime are similar to those expected at the outbreak of hostilities. Perhaps equally important is that our Reservists take real satisfaction in training duty which they know makes a meaningful contribution to the Navy.

A few examples of the mutual support provided during Fiscal Year 1985 are as follows:

- Reserve aviators performed the entire fleet heavy logistics support effort within the Continental United States (CONUS), flying almost 22,000 flight hours.
- Surface Force Naval Reservists provided over 105,000 mandays of fleet exercise support.
- 3,600 mandays were dedicated to Naval Reserve ships BLAKELY, VALDEZ, and PATTERSON for Central America presence operations.
- Naval Reserve Construction Forces provided more than 21,000 mandays of mutual support to [illegible] Marine Corps commands.
- Reserve Composite Squadrons (VC) provided over 5,000 hours of services to fleet units participating in Dissimilar Air Combat Training (DACT), acting as target aircraft for air intercept training and radar tracking exercises, and performing the aggressor role in fleet exercises.
- Naval Reserve Security Group units continued support of the national cryptologic effort through 36,000 mandays of participation in project CLASSIC BUOYANT.
- Eleven Reserve Patrol (VP) Squadrons provided 44 weeks of fleet support at Lajes, Azores, and Misawa, Japan.

- Reserve Squadrons flew more than 640 flight hours of surveillance sorties in support of Vice President Bush's drug interdiction program.

Significantly, USS PRESERVER (ARS-8), a Naval Reserve ship, is the primary surface salvage vessel at the scene of the space Challenger explosion. Reserve crewmembers and divers are participating in recovery operations. Farther south, Naval Reserve ships and squadrons are involved with Navy, Air Force, and Coast Guard units in drug interdiction missions.

Total Force Report to Congress

Recently, the Navy submitted the third of its annual reports to Congress on the Navy's Total Force. This report emphasized the progress made in the growth, modernization and integration of the Naval Reserve into the Navy's force structure. The report also highlighted Reserve planned medical manning of fleet hospitals and deployable medical systems. It stressed the Naval Reserve's expanding role in mine warfare and renewed the Navy's commitment to assign all appropriate missions to the Naval Reserve, as well as provide the training and modern equipment necessary for the Reserve to do its job.

NAVAL RESERVE FUNDING REQUEST

The Naval Reserve is provided essential support by two appropriations: Reserve personnel, Navy (RPN) and Operation and Maintenance, Navy Reserve (O&MNR).

The President's Budget also requests over $132 million in the Aircraft Procurement, Navy (APN) appropriation to be used for necessary modifications to Naval Reserve aircraft, plus more than $34 million in the Other Procurement, Navy (OPN) appropriation. The OPN funds are earmarked for various support and training equipments for the cryptological program, construction battalions, special warfare units, and cargo handling battalions. Further, the Military Construction, Naval Reserve (MCNR) Appropriation request of $44.5 million will provide much needed design and facilities construction for the Naval and Marine Corps Reserve.

In Fiscal Year 1987, the total funding support requested for the Naval Reserve exceeds 2.7 billion dollars.

I would like to discuss the Reserve Personnel, Navy and Operation and Maintenance, Navy Reserve appropriations in some detail.

Reserve Personnel, Navy

The Reserve Personnel, Navy (RPN) appropriation is divided into two budget activities. Budget Activity One provides funding Unit and Individual Training. Budget Activity Two funds Other Training and Support, including active duty TAR personnel, the Naval Reserve Officer Training Corps, Armed Forces Health Professions Scholarship Program, and the Navy Junior Reserve Officer Training Corps. The total Fiscal Year 1987 RPN request is for $1,527.6 million, which consists of $722.0 million for Budget Activity One and $805.6 million for Budget Activity Two. This is an increase of $178.4 million over Fiscal Year 1986. Approximately $155.2 million reflects average strength growth toward NAMMOS attainment in drilling and full-time support categories. The remaining increase is the result of Social Security rate escalation, more NROTC training, and other training support costs.

The funding request will support an average strength of 147,500 Naval Reservists in a paid status, including a full-time support end-strength of 23,197. Included in the full-time support strength, are 1,550 Temporary Active Duty (TEMAC) personnel who embody the total Naval Reserve recruiting effort.

The average strength of the drilling Reserve and those performing initial active duty training will increase by 9,340 to 126,078. The average strength of full-time support personnel will increase by 3,561 to 21,025, including the TEMAC program. For the first time, the Fiscal Year 1987 Budget Request includes funding for a one day recall of all members of the Individual

Ready Reserve (IRR). This screening process will enable the services to evaluate the availability and readiness of this major source of trained personnel. The $11.3 million requested for reserve incentives includes very selective implementation of a new prior service enlistment bonus, as well as revised payment levels for reenlistment, affiliation and the restructured IRR bonuses, all of which were authorized by the Fiscal Year 1986 Authorization Act.

The requested increases will allow the Naval Reserve to comply with Congressional guidance to increase Reserve Manning for Naval Reserve ships and to continue our growth in Selected Reserve strength to meet mobilization requirements.

Operation and Maintenance, Navy Reserve

The other major appropriation which supports the Naval Reserve is Operation and Maintenance, Navy Reserve (O&MNR).

The Naval Reserve is dependent upon funds in this appropriation for support of Mission Forces, Depot Maintenance, and Other Support. Support for Mission Forces includes funds for fuel, intermediate maintenance, repair parts and related support for the operation of aircraft in both the Naval and Marine Corps Reserve. It also includes operating, maintenance and support funds for Naval Reserve ships, as well as funds for Reserve Construction Battalions, Cargo Handling Battalions, Mobile Inshore Undersea Warfare units, Special Combat Support Forces, and other Surface programs. Depot Maintenance includes funds for the rework of aircraft and engines, the installation of aircraft modifications and Contractor Engineering Technical Services support. The other Support category provides funding to operate and maintain Air Stations, Reserve Centers, and Reserve Facilities supporting Naval Reserve forces and for various command and administrative activities, including recruiting and advertising.

The funding requested for the O&MNR appropriation for Fiscal Year 1987 is $975.9 million, which is a $63.2 million net increase over the Fiscal Year 1986 funding level of $912.7 million. Mission Forces (Budget Activity 1) increases $6.8 million, Depot Maintenance (Budget Activity 2) increases $50.6 million and Other Support (Budget Activity 3) increases $5.8 million. Overall program growth is $17.4 million, $11.2 million of which results from a functional transfer from the O&MN appropriation to support Naval Reserve ship engineering services and combat system maintenance efforts for a growing force.

The increased O&MNR funding level will provide adequate support for the following areas of growth: (1) increased aircraft operating and maintenance costs in support of a more modern mix of aircraft, including the F/A-18; the expansion of the Marine Corps Reserve KFIR(F-21) adversary aircraft squadron being implemented in Fiscal Year 1986; and the funding of the flying hour program at 87 percent of the Primary Mission Readiness (PMR) level, as compared to 85 percent in Fiscal Year 1986, placing the Naval Air Reserve Forces on the same funding base as the active force; (2) $18.4 million to complete the installation of F-14A modernization kits; (3) increased operations, maintenance, modernization and outfitting costs resulting from three additional FFG-7 class ships and one FF-1052 class ship joining the Naval Reserve; (4) an increase of the Naval Reserve ship OPTEMPO from 14.7 to 21 steaming days per quarter to ensure the operational and training readiness of these vital mobilization assets; (5) expansion of the mine countermeasures Craft of Opportunity (COOP) program; (6) establishment of the first Naval Reserve Cargo Handling Training Battalion to be manned primarily by TAR personnel; and (7) increased training, equipment, and base operating support requirements associated with growing Selected Reserve strength levels as the Naval Reserve builds toward the Navy Manpower Mobilization System (NAMMOS) goals.

Programmatic decreases primarily reflect: (1) reductions in the flight hour program for transitioning aircraft (A-7B, F-4S, E-2B); (2) fewer airframe and engine reworks and modification installations; (3) a decrease in Construction Battalion (CB) funding following completion of initial outfitting and equipment storage container procurements for two new battalions in Fiscal Year 1986; (4) a leaner funding profile for intermediate and depot level ship and equipment maintenance, outfitting modernization and repair parts; (5) five fewer regular ship overhauls in Fiscal Year 1987 as compared to Fiscal Year 1986; and (6) several adjustments in Other Support related to one-time Fiscal Year 1986 costs and other projected savings.

As mentioned earlier, the O&MNR appropriation also supports Naval Reserve recruiting and advertising activities, including support for the enlisted Sea and Air Mariner (SAM) and the officer Sea and Air Mariner (OSAM) programs. Meeting our recruiting goals is essential to the continued success of the Naval Reserve in fulfilling our mission in support of the National Maritime Strategy. The Fiscal Year 1987 increased funding supports specifically targeted advertising efforts to help meet the strength and quality goals of an expanding Naval Reserve.

SUMMARY

Our ambitious program to expand and modernize the Naval Reserve is on course and accelerating.

We are increasing the number of Selected Reservists in order to meet wartime requirements as rapidly as feasible.

We are expanding our cadre of TAR personnel to man and support increasing numbers of modern ships and aircraft and to support and train a growing Selected Reserve.

We are implementing new training programs to keep pace with the demands of a more sophisticated Naval Reserve.

We are adding new missions and refining existing ones.

We are proud to say that the Naval Reserve is evolving rapidly from a force in reserve to a force in being--A Force On The Move.

I will be happy to respond to any questions or provide any additional information you may require.

STATEMENT OF MAJ. GEN. L.H. BUEHL III, U.S. MARINE CORPS, DEPUTY CHIEF OF STAFF FOR RESERVE AFFAIRS

Mr. HUTTO. General Buehl, would you summarize your statement?

General BUEHL. Mr. Chairman, Mr. Darden, it is an honor to appear in front of the committee on behalf of the U.S. Marine Corps and the Marine Corps Reserve, particularly after a 2-year absence from this room.

We recognize the complementary role of Reserves in the total force, and this has to be viewed with increased awareness. And, we have a seriousness of purpose in terms of the cost-benefit equation.

Since the Marine Corps Reserve component provides 25 percent of the combat structure, and 33 percent of the trained manpower to our corps, we intend to continue our balanced and realistic approach to the improvement of our Reserve military capability, concurrently with that of the Active component.

To meet the challenge at hand, dynamic integrated training, modern compatible equipment, and quality manpower are all imperatives. Preparedness is directly related to adequate funding. We all realize manpower, equipment, and training do not come cheaply.

Our 1987 fiscal year budget request for $380 million includes a real growth of about 8.4 percent over fiscal year 1986, comprising 4.1 percent of the total Marine Corps budget. Past appropriations and additional congressional funding have allowed us to improve substantially our force structure, modernization, sustainability, and readiness.

These improvements contribute markedly to the health of the total force by providing combat power which can effectively execute our responsibilities for national security in crisis situations.

In the area of force-structure, sir, fiscal year 1987 funds will support enhancement initiatives, which include an end-strength increase of 1,381 reservists. This will bring our total up to 44,400 marines. We also plan to activate several new units. These new units will be a light armored vehicle battalion, four TOW platoons, and portions of much needed medical and dental battalions.

Quality reserve manpower is the key to an effective Reserve. The Marine Corps directs special attention to recruiting highly motivated, intelligent, young men and women. Our success in this vital area is partially reflected by the fact, 95 percent of our fiscal year 1985 recruits are high school graduates.

We plan an average growth of 1,200 marines each year until 1990. Our projected wartime Reserve strength goals will then be realized. I share with you your view, modern equipment for the Reserves produces many intangible benefits in recruiting, retention, and morale. Implementation of a single acquisition objective policy by the Commandant of the Marine Corps some years past for equipment, in both the Active and the Reserve components, has significantly enhanced the Marine Corps Reserve.

Our procurement profile, sir, provides not only modern equipment, but it also supports 60 days of combat sustainability for each deploying unit. We know continual fielding of modern equipment will facilitate the Congress' resolve to ensure the integration of units and individuals into the Active component upon mobilization.

Upon mobilization, such integration permits the requisite greater flexibility of force employment and contributes, in our view, to our defense. Currently, 96 percent of our required training equipment is on hand. Stocks available in our stores system presently do not meet total mobilization requirements. If funding is continued, planned procurement programs will nearly eliminate the shortages by the end of fiscal year 1988.

Readiness of the Marine Corps Reserve has improved in recent years. This improvement is reflected in our evaluation programs. For example, all 49 units tested by the Marine Corps combat readiness evaluation system were found combat ready in fiscal year 1985. This is significant. Additionally, 91 percent of the units tested by our mobilization operational readiness and deployment test, we call it MORDT, were prepared for mobilization.

From these assessment measures, we believe our training is effective. The emphasis is properly placed on preparation for mobilization and combat.

In summary, with your help, the Marine Corps Reserve will accomplish its main tasks, to be fully integrated, compatible, and interoperable with the Active component.

Quality manpower to discharge any assigned mission and to support required structural growth will be available. The Marine Corps Reserve will continue to train effectively in order to field combat ready units for successful warfighting when they are required.

And, warfighting is what it's all about.

Your continued support, sir, and assistance, are needed to allow us to achieve our goals.

Gentlemen, this concludes my summary. Thank you for permitting me to share my thoughts with you. I am prepared for any questions.

Mr. HUTTO. OK. Thank you very much, general.

PREPARED STATEMENT OF MAJ. GEN. L.H. BUEHL III

Mr. Chairman, distinguished members of the Committee, it is a privilege to report to you on the current and future posture of the Marine Corps Reserve.

Your intense interest in the Reserve and its role within the Total Force during this time of budgetary constraints has had a positive impact on the status of the Marine Corps Reserve. Thanks to your support during the past year, the U.S. Marine Corps Reserve has continued to strengthen and improve its combat readiness.

My assessment of our Reserve is based on a fresh perspective and broad examination during the short time since assuming my post. In essence, I am pleased to report to this Committee the Marine Corps Reserve is in the best shape ever with respect to force structure, modernization, sustainability, and overall readiness to fight. Examples of this improved posture are evident in several areas: participation by approximately 20,000 reservists in major exercises within CONUS and abroad (Canada, England,and Japan); upgrading of aircraft in the Reserve inventory to improve compatibility with the Active Force; and the achievement of 100% combat readiness for all 49 air and ground units tested in FY 85. With the continued support of Congress and the Administration, this trend will continue, and the full potential of the U.S. Marine Corps Reserve's capability to contribute to the national defense as part of the Total Force will be realized.

RESERVE ROLES

Charged with providing the means for rapid expansion of our Corps during a national emergency, the U.S. Marine Corps Reserve is the underlying foundation for sustainability upon mobilization. With trained units and qualified individuals on call to rapidly augment and reinforce Active Forces in response to crises, the U.S Marine Corps Reserve provides a valuable added dimension within the "Total Force" policy.

U.S. Marine Corps Reserve roles upon mobilization will be to:

- Selectively augment the Active Forces in order to field three active Marine Amphibious Forces (MAF's) at full wartime structure.

- Selectively reinforce the active MAF's with SMCR units.

- Provide the capability to field a MAB (with reduced aviation and limited CSS capability) to reinforce an active MAF.

- If augmentation/reinforcement is not ordered, provide the capability to field a Division, Wing, and FSSG with reduced capability.

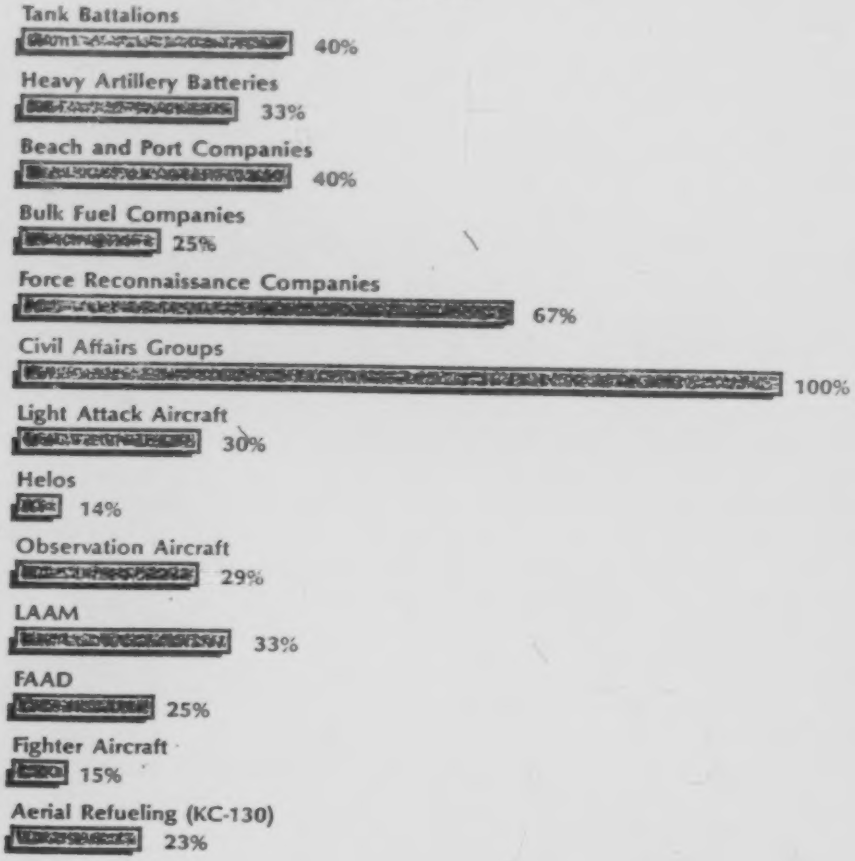
- Provide a nucleus to reconstitute a Division, Wing, and FSSG

Our Reserve is capable of executing these responsibilities, but improvements which enhance manpower, equipment, and training programs are still required. Funding of the programs submitted will permit continued evolution of the Marine Corps Reserve to successfully realize its fullest potential as a contributor to our National Defense.

The active component of the Marine Corps provides the National Defense effort a capable, ready, and flexible resource based on three active Marine Amphibious Forces (MAF's). This unique capability is contingent on the ability of the Navy-Marine Corps team to forward deploy Marine Air-Ground Task Forces (MAGTF's) which are tailored to mission requirements. Requirements for Active Force manpower are driven by peacetime commitments, forward deployments, rapid deployment criteria, and the need for a "rotation base." The Reserve complements this force with a capability to rapidly expand structure to required warfighting capability. Considered as a Total Force, 25% of the combat structure and 33% of the trained manpower are in the Reserve.

The Individual Ready Reserve (IRR) provides a substantial portion of this manpower. Our mobilization assignment system ensures the skill and experience of these reservists can be quickly assimilated into the force if required. The Selected Marine Corps Reserve (SMCR) contributes trained units which are organized into the 4th Marine Division, 4th Marine Aircraft Wing, and 4th Force Service Support Group. Including 9 infantry battalions and 18 flying squadrons, these organizations represent substantial combat and combat service support capabilities. Examples of the extent of this support to our Corps include: 100% of the Civil Affairs Groups; 67% of the Force Reconnaissance

Companies; 40% of the Tank Battalions; 33% of the Heavy Artillery Batteries; 30% of the Light Attack Aircraft, 23% of the Aerial Refueling Aircraft, and 15% of the Fighter Aircraft. Depicted in the following chart are the major contributions made by the Reserve to the Total Force.



Reserve Total Force Contributions

Force Structure

Selected Marine Corps Reserve

The organization of the Selected Marine Corps Reserve as a Division/Wing Team capable of providing trained units to the Active Force results in unparalleled flexibility in utilization of Reserve assets. Similarity of Reserve and Active Force structures greatly enhances and streamlines the process of integrating reservists into the Active Force during mobilization.

Significant improvement in the quality of manpower has greatly increased the readiness of the SMCR. Educational levels for FY 85 accessions of 96.8% for non-prior service and 92% for prior service equate to an overall high school graduate rate of 95%. Recruiting efforts to match military skills to billet requirements, coupled with skills training at the unit level, resulted in an improved skill match for FY 85 of 75.9% compared to 71.4% for FY 84. The improvement in this area reflects the success of the initiatives taken during 1984 in a project aimed at ensuring that each drilling reservist was a mobilization asset. We trimmed our Reserve Force by approximately 2,000 from our 1983 level. Many individuals who did not demonstrate satisfactory drill attendance were transferred to the IRR. Additionally, those who did not have the proper grade or specialty were removed from the rolls if they refused retraining.

The SMCR realized a growth of 967 during FY 85 resulting in an end-strength of 41,586. The FY 86 plan calls for an end-strength goal of 43,019; a growth of 1,433 over FY 85.

Our manpower plan calls for a modest growth which will average approximately 1200 per year over the next 5 years. This projected growth calls for an increase which will achieve our goal of being at full Reserve wartime strength by 1990. We plan to continue our active pursuit of imaginative training, increased retention, and proper qualifications to realize our Reserve manpower objective.

Ground Structure

The Marine Corps Total Force planning process has caused structural changes within the 4th Marine Division and Force Service Support Group. The artillery regiment completed reorganization of one Direct Support Battalion to accommodate M198 155mm towed howitzers during FY 85. Reorganization of the remaining artillery units is programmed for FY 88/89 coincident with the procurement of the remaining M198's for the Reserve. Further enhancement of our artillery capability will be realized when the Reserve receives the AN/TPQ-36 counter-fire radar in FY 87. A second Civil Affairs Group was activated in Los Angeles during FY 85. The two Civil Affairs Groups in the 4th Marine

Division constitute 100% of the Corps' civil affairs capability. Plans include activation of a third Civil Affairs Group during FY 86/87. Also in FY 86, a Sensor Control and Management Platoon (SCAMP) will be activated in Mobile, Alabama.

During FY 86/87, the Medical Logistics Company of the 4th Supply Battalion, the remainder of the 4th Medical Battalion, and the 4th Dental Battalion will be activated. These activations will be an especially important addition to the 4th Force Service Support Group. A serious deficiency in the SMCR combat service support structure warfighting capability will be eliminated.

A Light Armored Vehicle (LAV) Battalion will be activated in FY 87/88. This battalion, consisting of approximately 960 Marines and 110 vehicles, is anticipated to be located in four or five states. Four Tube-launched, Optically-tracked, Wire-guided (TOW) missile platoons are also scheduled for activation during 1987. One platoon will complete the structure of Anti-tank Company, 4th Tank Battalion, and the remaining three platoons will be placed in each of the three infantry regiments.

Scheduled structure changes for the SMCR:

4th Medical/Dental Battalion	FY 86/87
1 Civil Affairs Group	FY 86
Infantry Battalion Reorganization	FY 86
Air/Naval Gunfire Liaison Company (ANGLICO)	FY 86
Artillery Reorganization	FY 88/89
Sensor Control And Management Platoon (SCAMP)	FY 86
4 Tube-launched, Optically-tracked, Wire-guided missile (TOW) Platoons	FY 87
Light Armored Vehicle (LAV) Battalion	FY 87/88
Target Acquisition Battery	FY 88

Aviation Structure

The 4th Marine Aircraft Wing will also undergo major structural changes as we move into the 1990's. There are three major changes which will enable our Reserve to increase combat capability. They are the expansion to two AH-1J Attack helicopter squadrons, the expansion to two KC-130 Refueler squadrons, and the proposed placement of the Large Land Based Tankers within the 4th Marine Aircraft Wing.

The ongoing standup of the Kfir adversary squadron will enhance and promote the readiness of the Total Force. Thirteen aircraft will be leased from the Israeli government and based at Marine Corps Air Station, Yuma, Arizona, during the summer of

1986. Designated the F-21A, the aircraft will be flown by both active duty Marines and reservists of the 4th Marine Aircraft Wing. The squadron will provide enhanced training by flying dissimilar aircraft using tactics employed by potential adversaries. Training for aircrew members will commence during the summer of 1986 at Naval Air Station, Oceana, Virginia, and in Israel. Maintenance for the aircraft will be on a contracted basis.

In addition to the majority of reservists training in Reserve combat units, drilling reservists are actively training with their active duty counterparts. Individual Mobilization Augmentees (IMA's) are placed on staffs within the supporting establishment and provide assistance to the staffs to which they are assigned. They have become key personnel within their organizations, as evidenced when they assisted in manning the Marine Corps Command Center during the Grenada operation. IMA's also man 52 mobilization stations across the country. Mobilization stations are critical to the process of assimilating members of the IRR, Fleet Marine Corps Reserve (FMCR), and Retirees into the wartime structure during mobilization.

Completing the manpower picture for the SMCR is the Full-Time Support (FTS) program. As a result of the Commandant's direction to stabilize active duty manpower growth in the Marine Corps, this program has impacted significantly on the Marine Corps Reserve. The assistance of FTS Marines in recruiting, instructing, and training, as well as administering the Marine Corps Reserve at 21 major commands, fills personnel staffing requirements which would otherwise have had to be accommodated by active component Marines. Programmed growth from 1134 in 1985 to over 1800 by 1990 will be commensurate with the support required for the anticipated growth of our Reserve Force.

Individual Ready Reserve

The increase of the initial military service obligation to 8 years will have an important effect on the IRR. This population is expected to nearly double from approximately 48,000 in FY 85 to more than 90,000 by 1991. The IRR is the primary source of trained individuals for Active and Reserve units in the event of mobilization. Management and training of this resource are primary concerns of current and future planning efforts. An effective mobilization assignment system and preassignment program is in place and is continually refined during the conduct of regularly scheduled mobilization training exercises. Proper "shaping" of the IRR is being vigorously pursued to ensure reservists' skills match and fulfill anticipated essential Active Force wartime requirements.

MODERNIZATION

Modernization of Reserve aviation continues to be a major concern. Total Force planning for aircraft modernization places aircraft released from the Active Force immediately into the Marine Corps Reserve inventory. However, this does not satisfy long-term requirements. While these aircraft remain capable, our aviation plans address continued modernization. We request congressional support in these efforts.

Aircraft such as the CH-46E, UH-1N, AH-1J, and KC-130F are being flown by both Active and Reserve components. This provides a substantial degree of commonality. The Reserve has converted to an all F-4S fighter force. Plans call for an all A-4M attack force by FY 89. Our goal is to upgrade with the Hornet and have an all F/A-18 Reserve fighter/attack force with transition beginning in 1991. As OV-10D's become available, they will be added to the observation squadron. There will be a mix of A and D models for a period beginning in FY 88. Eventually an all OV-10D inventory in both Active and Reserve squadrons will be obtained.

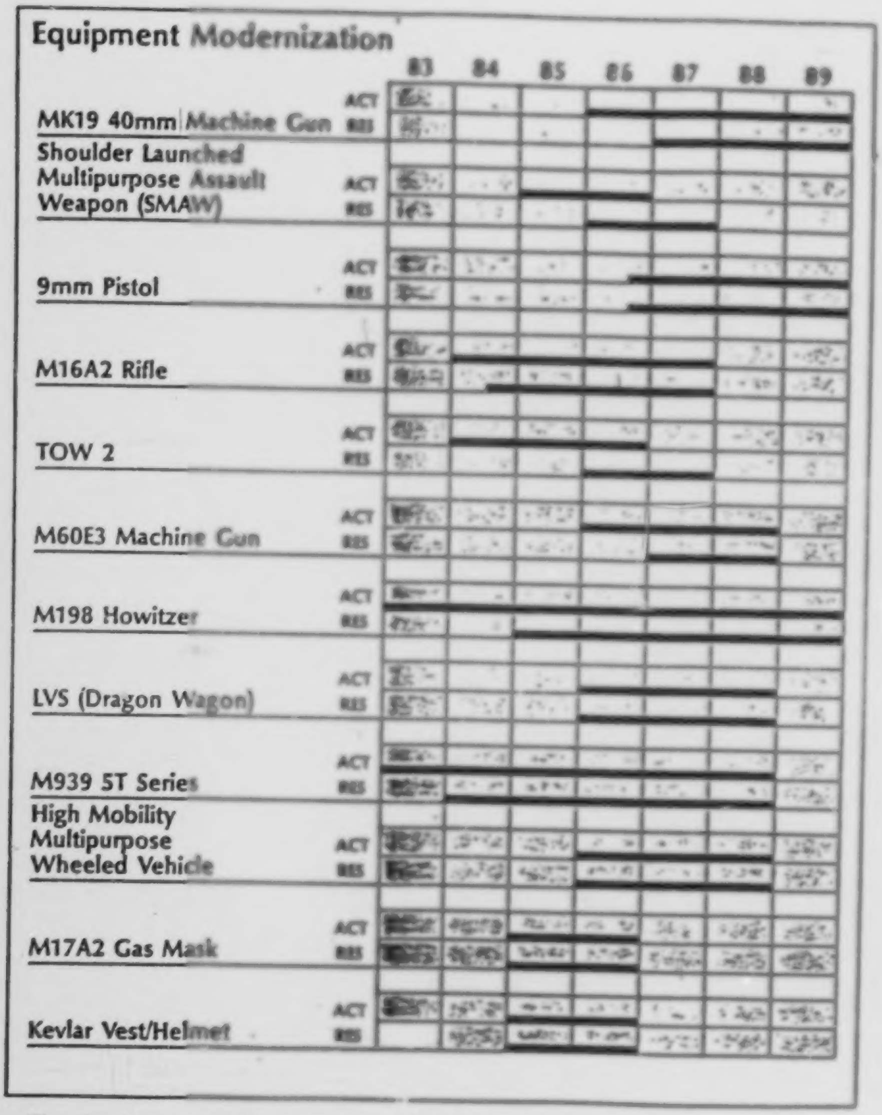
Modernization of the heavy lift helicopter squadron, currently flying the CH-53A aircraft, calls for transition to the CH-53D in FY 92 and transition to the CH-53E in FY 98. Two CH-46E squadrons will continue to provide medium lift capabilities for the Reserve until FY 98/99, when they will transition to the MV-22A, Osprey.

The Reserve currently has one aerial refueler squadron of KC-130's partially configured with the newest KC-130T. Eight aircraft have been delivered and are currently based at Naval Air Station, Glenview, Illinois, along with seven older model KC-130F's. Two aircraft are scheduled for delivery during CY 86, and another two in FY 87. The standup of an additional squadron at Stewart International Airport, New York, is moving ahead in the areas of programmed personnel, aircrew training, and flight-hour funding. However, the inadequacy of scarce MILCON funding may necessitate a revision of the initial schedule calling for standup during the 4th quarter of FY 87. Although incremental measures have been taken to support the aircraft that have already been delivered to the 4th MAW, full standup is contingent on continued congressional support through provision of funding for required military construction of facilities.

Equipment

Modern combat equipment is essential to materiel readiness. As an integral part of the Total Force, all equipment acquisition objectives have for several years addressed Active and Reserve component requirements concurrently. This concept includes initial issue quantities for all U.S. Marine Corps Reserve units and planned sustainability for these Reserve units deploying through D+60.

While the Marine Corps has normally included our Reserve in developing acquisition objectives, equipment fielding to Reserve units has usually lagged behind fielding to the active component. However, during the past 5 years, funding levels have allowed concurrent procurements of most equipment items. Fielding of new equipment concurrently with the active component commenced in earnest in the Marine Corps Reserve in FY 84 with the Commercial Utility Cargo Vehicle (CUCV). Concurrent fielding continues in FY 86 and FY 87 with all new major combat systems being programmed for introduction into our Reserve component. Examples of current fielding plans, depicted below, demonstrate the Marine Corps' commitment to concurrent fielding to both Active and Reserve units:



The Marine Corps' goals of procuring, issuing, and maintaining combat standard equipment for our Reserve are being met. Today, over 96% of the equipment required for training is on hand. Remaining equipment required for mobilization will be held at the Marine Corps Logistics Bases. Today the equipment held in our stores system is not adequate to satisfy total

Reserve requirements upon mobilization. Current procurement programs will essentially eliminate all but approximately 5% of these shortages by the end of FY 88.

Marine Corps procurement funds in the amount of $172.1 million have been allocated for the Reserve Component in FY 86. The FY 87 request contains a programmed $85.8 million. These funds represent 10.4% and 5.5% of the FY 86 and FY 87 Procurement, Marine Corps (PMC) appropriation. The program represents Marine Corps procurement of our Reserve's total requirement for such items as the Light Armored Vehicle, High Mobility Multipurpose Wheeled Vehicle (HMMWV), 5 Ton Vehicle Fleet, and the M16A2 Rifle.

Distribution of funds allocated to Reserve procurement is displayed below by commodity area: (Shown in $M)

	FY85	FY86	FY87	FY88
Weapons and Tracked Combat Vehicles	111.1	33.6	23.4	5.1
Guided Missiles and Equipment	2.8	-	-	-
Communication/Electronics Equipment	20.0	30.1	13.6	18.2
Support Vehicles	56.5	74.8	17.8	9.7
Engineer Equipment	14.1	27.3	29.7	41.8
Spares and Repair Parts	8.1	6.3	1.3	1.9
TOTAL	212.6	172.1	85.8	76.7

The Marine Corps Reserve presently occupies 186 Reserve Centers located in 46 states, the District of Columbia, and Puerto Rico. Forty-seven Reserve Centers are managed or owned by the Marine Corps. The remainder are occupied jointly with other services.

Replacement, renovation, or expansion of Navy and Marine Reserve facilities are funded by the Military Construction Naval Reserve (MCNR) appropriation. Funding levels for the previous 5 years have averaged $38 million. During this period the construction backlog has increased from $290 million in FY 82 to $732 million in FY 87. Inadequate funding levels, block obsolescence of World War II era facilities, and new Reserve missions are factors which led to this significant increase.

The current FY 87 through FY 91 MCNR program contains more than $350 million for construction of Navy and Marine Corps Reserve facilities. Replacement or expansion of 54 Reserve Centers will be realized if this program is supported.

Current/programmed MCNR funding levels:

FY		($M)
87		44.5
88		63.3
89		72.7
90		80.5
91		91.2
	TOTAL	352.2

TRAINING AND READINESS

The melding of manpower and equipment through an effective and imaginative training program is essential to a combat ready force. Exercises and other training, involving Active/Reserve integration, are targeted to provide a highly trained Reserve manpower pool from which to draw units/individual Marines in the event of mobilization. Programs aimed at professional development and assignment of military occupational specialties are also an integral part of the equation. Integrated training with our active component is considered an imperative to successful warfighting. Underscoring our emphasis on Active/Reserve integration and unit performance within a Marine Air-Ground Task Force (MAGTF), the Reserve 2d Marine Amphibious Brigade (MAB) will, for the first time, participate in an exercise under the operational control of the Commanding General, Fleet Marine Force, Atlantic/Commanding General, II Marine Amphibious Force during 1987.

Training for Individuals

Training of individuals in the IRR is accomplished primarily through two programs. First, the Exercise Support Program provides small detachments and individuals the opportunity to participate in major exercises under the cognizance of Fleet Marine Force, Atlantic and Fleet Marine Force, Pacific. Highlights of this program during 1986 are: 15 reservists joined the 9th MAB staff and participated in exercise YAMA SAKURA conducted in Hokkaido, Japan, in conjunction with training for the Japanese Self-Defense Force; 120 reservists from the IRR participated in exercise TEAM SPIRIT by deploying to Korea as part of III MAF.

Second, the Reserve Counterpart Training Program (RCT) is designed to provide IRR officers and enlisted Marines opportunities to train with their active duty counterparts. Our exercise support program is complemented by our focus on MOS training through performance of routine duties. Priority is given to training enlisted IRR Marines before officers because of the importance of technical skill enhancement and proficiency.

The anticipated doubling of the size of the IRR by the end of FY 91 to more than 90,000 as an effect of the 8-year obligation presents a significant challenge to ensure MOS proficiency through conduct of refresher training. The RCT program will become a primary means of accomplishing this training. Identification of MOS's required by the Active Forces upon mobilization, skill degradation profiles, and imaginative training programs must all be addressed as we carefully formulate plans to accomplish IRR refresher training.

Military occupational specialties (MOS) shortfalls have been identified. Skill degradation over time within these specialties is being measured. To counter this skill degradation, funding has been earmarked to conduct this essential skill refresher training commencing in FY 88. A major challenge will be the continued development of this group of reservists as a viable manpower resource through refresher training, enhanced administration capabilities, and improved mobilization techniques.

One other facet in our training program for individuals is attendance at professional schools. These opportunities provide career, intermediate, and top level schooling for Reserve officers similar to that offered for regular officers. Reservists attend the Reserve courses at the Marine Corps Amphibious Warfare School and the Marine Corps Command and Staff College, as well as schools at the Naval War College. Candidates from the grade of warrant officer to colonel are designated by selection board to ensure that the most qualified individuals attend. The program has expanded from 902 officers in FY 85 (54% SMCR, 34% IRR, 4% FTS), to 1,005 in FY 86 (59% SMCR, 34% IRR, 7% FTS). Present levels of professional education will be maintained in FY 87.

Training and Readiness of Units

Exercise participation affords reservists the same opportunities as their active duty counterparts to hone skills in command and control, fire support coordination, amphibious planning, and fire and maneuver. An active cycle of training is maintained which includes combined arms exercises, cold weather training, and amphibious landings. As previously mentioned, unit participation in 18 major exercises abroad and within CONUS provided training to approximately 20,000 reservists during 1985. The major exercises of 1985 and the projected exercises for 1986 are depicted in the next two charts:

FY 85

EXERCISE	DATES	LOCATION	MAJOR UNITS	# PERSONNEL
Joint/Combined				
ALPINE WARRIOR/		New York	HQ ELEM 4thMARDIV	150
COLD WINTER	Feb	Norway	HML-771, HMM-774 HMH-772	
BRIM FROST 85	Jun	Alaska	I Co 4th FAAD	300
BEAR HUNT	Oct	Korea	Det FSSG	150
NEZ ROUGE	Jan	Canada	Det A, MAG-49	40
Joint				
SOLID SHIELD 85	May	East Coast	HQ ELEM 4thMARDIV MAG-49 Det C, MAG-42 ELEM 4th MAW	600
BORDER STAR	May	New Mexico	MACS-23	300
RESERVE AMPHIBIOUS EXERCISE	Jun	West Coast	2/24, MAG-42 (-)	2100
RESERVE AMPHIBIOUS EXERCISE	Jul	East Coast	1/25, MAG-49 (-)	2100
BLAZING SKIES	Nov	New Mexico	MACS-23	200
POWDER RIVER	Nov	CONUS	HQ ELEM	300
SMCR				
COLD WEATHER TRAINING	Apr	California	3/25	800
MECHANIZED EXERCISE	Apr	Virginia	8th TankBn	800
MCCRES *	Jun-Jul	Minnesota	1/23, 3/23 MAG-42 (-)	2400
COMBINED ARMS EXERCISE 7-85	Jul	California	2/24, MAG-46 (-)	2500
MOUNTAIN WARFARE TRAINING	Jul	California	3/24	800
JUNGLE TRNG	Jul	Panama	2/25	700
COMBINED ARMS EXERCISE 8-85	Jul-Aug	California	1/24, MAG-46 (-)	2400
MCCRES *	Aug	Wisconsin	3/14,4/14	800

* MCCRES -- Marine Corps Combat Readiness Evaluation System

OUT OF CONUS - Alaska (BRIM FROST 85), Korea (BEAR HUNT and TEAM SPIRIT), Thailand (COBRA GOLD), Med/Turkey (DISPLAY DETERMINATION), Panama (Jungle Training), England (WINTEX CIMEX), Canada (NEZ ROUGE), Guam (MPS Loading; Det, 4th Landing Support Bn)

FY 86

EXERCISE	DATES	LOCATION	MAJOR UNIT	# PERSONNEL
Joint/Combined				
TEAM SPIRIT	Feb	*	Individuals	140
ANCHOR EXPRESS	Feb-Mar	*	HMA-773	100
MAPLE FLAG	May	*	VMAQ-4	20
NORTHERN WEDDING/ BOLD GUARD	Sep	*	3/25 4th MAW ELEMENTS	1950
Joint				
BOLD EAGLE	Oct-Nov	CONUS	VMA-124, MACS-24	
PORT CALL 86	Nov	CONUS	BridgeCo, HQ ELEM	80
ALPINE WARRIOR	Feb	Wisconsin	A Co 4thCBEngrBn	320
AMPHIBIOUS EXERCISE	Jul	East Coast	2/25, MAG-41	2820
SMCR				
COMBINED ARMS EXERCISE 7-86	May-Jun	California	3/24, MAG-49 (-)	3700
MOUNTAIN WARFARE TRAINING	May-Jun	California	2/23	1200
COMBINED ARMS EXERCISE 8-86	Jun-Jul	California	1/25, MAG-49(-)	2870
MECHANIZED EXERCISE	Jul	California	4thTankBn 4thAsslt AmphBn	1000
FIRE EXERCISE	Jul	Colorado	14th Mar	1700
MCCRES **	Aug	Minnesota	2/24	2800
COLD WEATHER TRAINING	FY	California	ELEM 4th MARDIV	1200

* OUT OF CONUS

** MCCRES - Marine Corps Combat Readiness Evaluation System

One feature of the annual exercise schedule is Reserve unit participation in the Marine Corps Combat Readiness Evaluation System (MCCRES). Reserve units are routinely assessed with the same criteria used to evaluate Active Force training effectiveness. Results are used primarily by unit commanders to correct unit training deficiencies. A comparison of results from 1980 through 1985 provides insight into the effectiveness of the training program.

MCCRES RESULTS

FY	UNITS EVALUATED	% REPORTING COMBAT READY
80	13	69
81	13	54
82	29	90
83	31	90
84	13	100
85	49	100

A crucial measurement of readiness for the Reserve, in addition to tactical proficiency, is being physically able to mobilize. This readiness factor is routinely assessed and exercised from an overall perspective during the conduct of JCS mobilization exercises. During Exercise PORT CALL 86, the Marine Corps moved a bridge company from its home training center in Battle Creek, Michigan, to the Station of Initial Assignment (SIA) located at Camp Lejeune, North Carolina. The company married up with selected items of equipment which had been drawn from the Prepositioned War Reserves (PWR) and shipped to the SIA. We also moved an infantry battalion from five home training centers located in Michigan and Ohio to the same SIA.

Complementing this system at the unit level, the 4th Marine Division and 4th Marine Aircraft Wing conduct Mobilization Operational Readiness Deployment Tests (MORDT's). MORDT's provide unit commanders an assessment of readiness to deploy upon mobilization.

MORDT RESULTS

FY	UNITS TESTED	% COMBAT READY
80	133	96
81	95	96
82	131	95
83	113	93
84	95	94
85	92	91

BUDGET

The FY 87 Reserve budget request of $380.1 million will support both enhancement initiatives discussed above and a SMCR end-strength of 44,400 (42,800 average strength). This funding represents 4.1% of the overall Marine Corps budget, and a real growth of 8.4%. Listed below is a comparison of FY 86 and FY 87 budgets.

FUNDING COMPARISON - FY 86/87

RESERVE APPROPRIATION	FY 86	FY 87
Reserve Personnel, Marine Corps (RPMC)	$287.3M	$314.8M
Operation & Maintenance, Marine Corps Reserve (O&MMCR)	$ 58.2M	$ 65.3M
Total	$345.5M	$380.1M
Reserve Share of Total Marine Corps	3.9%	4.1%

The FY 87 RPMC Budget provides $208.8 million for pay and allowances, retired pay accrual, subsistence, clothing, and operational travel for units and individuals during drills, annual training, and initial active duty for training (IADT). The other $106.0 million is for special tour requirements, mobilization training, the Full Time Support (FTS) Program, Incentives Program, Platoon Leaders Course, and the Junior Reserve Officers Training Corps. The RPMC increase of $27.5 million over FY 86 is necessitated by a planned end strength increase of 1,381 within the SMCR and FTS programs. The purpose of this increase is to support the structure enhancements previously discussed and a DOD directed one-day involuntary recall of the Individual Ready Reserve for annual screening.

The FY 87 O&MMCR request of $65.3 million provides funds for the day-to-day costs of supporting our units. The training of SMCR units is directly supported by $28.7 million. Included are the costs of "expense items" of equipment, consumables, vehicle and airlift support, transportation of Marines and materiel, and unit maintenance of equipment. Depot level maintenance of major end items of equipment is supported with $2.0 million. The FY 87 request also provides $17.2 million for the operation and maintenance of training facilities and adminisrative support of the SMCR. The remaining $17.4 million pays for administrative support of individual reservists, recruiting activities, and headquarters support.

Funding levels described for FY 87 are vital in our continued development. The modest increase in funds for enhanced manpower, training, equipment, and facilities will make a substantial contribution to our warfighting capability.

CONCLUSION

The Marine Corps Reserve has made great strides in improving its posture during the past decade. Continued attention to several areas is required in order to keep momentum moving toward our objective of a well-trained, responsive, and combat capable Reserve Force.

Emphasis on recruiting and retaining quality Marines must be continued. Provision of strong, adept leadership and creative, mission-oriented training is a challenge which must be continually met. Modern facilities and adequate compensation are also extremely important in motivating our young Marines to remain active in the Reserve. The husbanding of this manpower resource to maintain the desired strength levels is a key element in meeting the commitments of the U.S. Marine Corps Reserve.

Providing our Marines with state-of-the-art equipment is the goal of our force modernization effort. This may be the most important single factor in establishing the Reserve as a credible combat force.

Continued Active/Reserve integration is also critical to enhancing Reserve capabilities. Implicit in mobilization is the integration of the Reserve, as individuals or units, into the Active Force. Their degree of success in accomplishing this integration and contributing to combat effectiveness will ultimately be borne out on the battlefield. Appropriately, Active/Reserve integration is the dominant theme in reserve planning. Emphasis is consistent from the highest level staffing to unit training in the field. More reservists are involved in Active Force training than ever before. Major program sponsors in the Marine Corps wear a reserve hat as well as an active one. Active/Reserve integration does take place at every level in the Marine Corps.

In keeping with the Total Force policy, the Marine Corps Reserve complements the Active Force as a fully integrated partner. Our Marine Reservists are dedicated, professional young men and women with a patriotic commitment to our Nation's defense. They are an indispensable asset to the Corps in meeting its role as our Nation's Force-in-Readiness.

STATEMENT OF REAR ADM. ALAN D. BREED, CHIEF, OFFICE OF READINESS AND RESERVE, U.S. COAST GUARD

Mr. HUTTO. Admiral Breed, we know that you are not in the Defense Department, but in another department; however, you are part of our defense effort, and that was reflected in our authorization and appropriations for this fiscal year, and our support of the Coast Guard on specialized matters, and we are delighted to have you with us.

And, if you will, summarize your statement, please, sir.

Admiral BREED. Thank you, very much, Mr. Chairman. I, indeed, am pleased and privileged to be the first Coast Guard representative to testify before your subcommittee.

I will submit my prepared testimony, with your permission, for the record.

Mr. HUTTO. Yes. Without objection.

Admiral BREED. I appreciate this opportunity to present to you an overview of the Coast Guard's role as a full partner in the organized defense of the Nation.

The majority of our Selected Reserve, approximately 80 percent, is organized and trained to provide an almost tenfold increase in port security forces. The remainder fill out wartime ships complement, command and control staffs, and provide logistics and maintenance support for operational units. Our training program has three specific elements: augmentation training, exercise participation, and formal school.

In augmentation training, we obtain realistic training by performing day-to-day Coast Guard operational missions, which provide the basic skills that our Selected reservists will need to successfully perform their mobilization assignments.

Our participation in such exercises as REFORGER, BRIGHT STAR, and BRIMFROST, provides an excellent gauge of our degree of mobilization readiness and in training that is focused on a wartime scenario. Formal training for Coast Guard reservists provides a foundation for the basic skills required for mobilization billets. A wide variety of resident training courses are provided by the Coast Guard training centers and the Armed Forces training facilities around the country.

The Coast Guard is a full participant in the JCS joint planning process; from this planning process has come such successes as the maritime defense zones, the wartime manpower planning system, our wartime personnel allowance list, and also our logistics support mobilization plan.

Ongoing objectives to improve the Reserve program include upgrading the mobilization training, identification of equipment requirements, and increases in Selected Reserve strength. We are doing a complete reevaluation of our Reserve training process, to better define the specific tasks that will be required in each mobilization billet. We will then tailor or revise our augmentation training, formal training, and exercise participation as indicated.

It is imperative that our reservists have adequate equipment and personal protective clothing to operate and survive in a hostile environment. We are identifying these equipment needs through a current updating of our logistic support mobilization plans.

Pursuit of a Selected Reserve size to respond to JCS guidance and tasking is another major objective. The $65.2 million Reserve training program funding in the President's proposed fiscal year 1987 budget will support the Selected Reserve at a new level of 13,000 personnel. A goal has been established within the Coast Guard to increase our Selected Reserve strength to 18,000 to meet our early response needs by fiscal year 1991.

Of course, overshadowing all of our readiness planning at the moment is the impact of the Gramm-Rudman-Hollings legislation. For fiscal year 1986, our Reserve appropriation will be reduced by $2.6 million by that act. We also have to absorb another $1.5 million representing the unfunded costs of the October 1985 military pay raise. The resulting $4.1 million reduction will require internal reprogramming, reducing our nonprior service recruiting goals by 54 percent, reducing our annual 2-weeks active duty training by about 8 percent, which equates to 10,000 training days, and means about 800 reservists will miss their 2 weeks of active duty training. And, also deferring facility maintenance and training equipment expenditures.

Any reductions that may be necessary in the Active Force facilities and operations, where our reservists train, could have a significant impact on our program.

In fiscal year 1987, the budget includes funding of fiscal year 1986 pay raise, it increases the Selected Reserve strength by 500 to a level of 13,000, and it provides funds for our continuing training activities at the level of the training intensity programmed in fiscal year 1985.

With congressional passage of the President's fiscal year 1987 request, and your continued support in the future, we will ultimately reach our objective of proper mobilization readiness.

I will be pleased to respond to any questions you may have.

PREPARED STATEMENT BY REAR ADM. ALAN D. BREED

Mr. Chairman and members of the subcommittee, I am Rear Adm. Alan D. Breed, Chief of the Office of Readiness and Reserve, U.S. Coast Guard. I appreciate this opportunity to speak to you today on behalf of the Coast Guard Reserve, and present to you an overview of our defense readiness: where we are and where we plan to go.

As one of the seven Reserve components of the Armed Services we are a full partner in the organized defense of this Nation. Our immediate mission, is the preparation of Reserve Forces to augment and sustain the active services in the conduct of their national security missions.

As a frame of reference for understanding the role of the Coast Guard Reserve I will provide you with some background on the overall significance of Coast Guard's role in our Nation's security.

PEACETIME MISSIONS

The Coast Guard's efforts to ensure the safety of maritime transportation are essential to a strong national economy. In particular, Coast Guard aids-to-navigation are used for safe operation of the U.S. Armed Forces around the world. The Coast Guard's port safety and security programs minimize potential losses of critical military or civilian cargoes as they traverse the Nation's port areas.

The everyday presence of Coast Guard patrols in ports and harbors reduces the potential for disruption or destruction by terrorists or saboteurs. Similarly, the routine operations of cutters, small boats, and aircraft in the littoral approaches to the U.S. coastline provide an umbrella of surveillance and interdiction capability. The operations of Coast Guard cutters and aircraft in maritime law enforcement, particularly in the reduction of drug traffic, have immense national security implications, both today and in the event of mobilization.

In the international arena, the Coast Guard's frequent contacts with other nations help establish and maintain communications and improved understanding. Coast Guard training teams, which often include reservists, work to help establish or improve the capability of foreign Coast Guards and/or navies in many of the developing nations of the world.

Of course Coast Guard Forces and operating units always stand ready to participate in peacetime contingencies such as the Grenada operation and its follow-on pacification operations, the Cuban exodus, etcetera.

WARTIME TRANSITION

It is in the expansion of Coast Guard Forces upon transition from a peacetime to wartime setting that the Coast Guard Reserve plays its vital role. The majority of the Coast Guard's Selected Reserve, approximately 80 percent, is organized and trained to provide an almost tenfold increase in port security forces with boat crews, shoreside port security teams, and associated command, control, and support elements. The remainder provide the augmentation personnel required to bring Coast Guard cutters to their full wartime complement; fill out command and control staffs; provide logistics and maintenance support for operational units; and provide personnel needed to begin the expansion of the training and logistics support base necessary for sustained wartime operations. My responsibility then, in light of the Coast Guard's statutory responsibility, is to provide and maintain a trained Reserve Force in readiness.

AUGMENTATION TRAINING

In 1971 Congress directed that a peacetime mission be found for the Coast Guard Reserve. This mandate, unique among the seven Reserve components has been doubly beneficial. First, it provided for a new mode of training, appropriately entitled "Augmentation Training", that has enabled us to maximize the use of realistic training opportunities presented by augmenting the Active Force in performing its day-to-day missions. At the same time, these activities are well suited for honing the basic skills our Selected Reservists will need to successfully perform their mobilization assignments. As the members of this subcommittee are aware there is a distinct cost benefit when reservists can be effectively utilized in an Active Force mission.

Augmentation Training has provided the Active Force with a relatively constant 1.6 million man-hours of Reserve duty annually. For years, reservists have operated four seasonal search and rescue stations in the Great Lakes. They provide waterborne security for all space shuttle launches and Coast Guard was in charge of the search and recovery operations following the recent tragedy of the shuttle *Challenger*. Reservists provided important backfill during the Cuban operations. They provided security for such activities as the New Orleans World's Fair, the Los Angeles Olympics, and "Operation Tall Ship" in New York. This summer, they will work alongside their active duty partners as active participants in the Statue of Liberty celebration.

Augmentation Training is, however, a training tool rather than an end in itself and must be evaluated in the light of its contribution to mobilization readiness.

EXERCISE PARTICIPATION

Several years ago, it was decided that a greater emphasis of our training must be placed on readiness exercise participation. Since then we have sought and achieved a goal of 25 percent of our Selected Reservists participating in exercises annually. One of our most significant areas of progress in recent years, results of exercise participation provide an excellent gauge of our degree of mobilization readiness. In fiscal year 1985 these activities included participation in Operations Reforger, Gallant Eagle, Bright Star and Brim Frost among others.

A tangible product of our Augmentation Training and readiness exercise participation is a clearer picture of our formal training requirements. For example, if our reservists are to accompany other U.S. forces in deployments to Europe or the Middle East they will require mission specific training and equipment. By agreement with the Marine Corps, a special combat skills/survival course will be taught at Marine Corps Base Quantico this year. This course will provide some 320 of our people with the skills required to operate safely and effectively in a forward area and potentially hostile environment upon mobilization.

READINESS PLANNING

Since the evolution of the Navy-Coast Guard (NAVGUARD) Board we have registered several key successes in our readiness planning process. The Coast Guard is a full participant in the Joint Chiefs of Staff joint planning process, maintaining liaison with all unified commands and working continually with naval component commanders. In a variety of contingencies the Coast Guard has units force-listed for overseas deployment. In these the Reserve plays a crucial role by providing personnel for such duties as port security, explosive loading advisory teams, fuel transfer service teams, and search and rescue. Like our war plans our peacetime domestic plans for civil disturbance and disaster response take into specific account the probable use of Reserves.

The written plans receiving most attention these days are the maritime defense zone plans.

MARITIME DEFENSE ZONE

An historic codification of many Coast Guard wartime functions occurred in 1984 with the establishment of U.S. Maritime Defense Zones [MDZ].

The MDZ initiative was established in principle by a memorandum of agreement between the Department of Transportation and Department of the Navy, creating Atlantic and Pacific Maritime Defense Zones. By agreement with the Chief of Naval Operations, Coast Guard Atlantic and Pacific Area Commanders are designated Zone Commanders, responsible to fleet commanders-in-chief for preparing, planning, coordinating, and conducting coastal defense. This includes port security, harbor defense, inshore undersea warfare, mine-counter-measure, search and rescue, surveillance and interdiction and disaster response.

In forming the MDZ, the Coast Guard and Navy created joint service commands quickly and effectively—providing a major defense organization at minimal initial cost. Administratively, each service retains responsibility for its own personnel management and logistics support. Concerning any new requirements fostered by MDZ, each service funds those items traditionally identified with that organization's equipment inventory and assigned missions.

Within the MDZ initiative the Coast Guard was tasked with a greatly expanded permanent peacetime defense planning function. Pacific and Atlantic Maritime Defense Zones are now second echelon naval commands, which, upon execution of war plans will be comprised of Active and Reserve Coast Guard and Navy units, headed by Coast Guard Vice Admirals, and drawing heavily upon total Coast Guard manpower and resources.

WARTIME MANPOWER PLANNING SYSTEM [WARMAPS]

The Wartime Manpower Planning System [WARMAPS] is a Department of Defense Program used to display and justify total wartime personnel requirements-including replacements due to casualties. Since the Coast Guard will transfer to the Department of the Navy after full mobilization, the Vice Chief of Naval Operations requested that we participate in WARMAPS. Our initial program submission was made in May 1985. WARMAPS compares available supply to anticipated need, revealing either an overage or a shortage. At this point in our planning process warmaps assists in validating our personnel needs and requires us to look at both near term and 5 year planned force structures. These basic projections are provided to the navy for their use in supporting us with military hardware. When Maritime Defense Zone military missions are more fully developed our inputs to warmaps will reflect those new planning factors. The end product to Coast Guard will be a verification of the number of people, and their skills, required to meet our priority taskings.

WARTIME PERSONNEL ALLOWANCE LIST [WPAL]

Until recently Coast Guard war plans, unconstrained by personnel, equipment, funds or resources, were designed to meet all of our tasks at the worst-case scenario. The detailed requirements were well beyond our capabilities, even with maximum use of all available resources, such as reserve personnel, retirees, and civilian employees. To bring a greater degree of feasibility to our planning process we have developed the wartime personnel allowance list [WPAL]. This list is resource specific. In other words, our 12,500 Selected Reservists, 5,000 Individual Ready Reserves and 5,000 Retirees will provide the wartime manpower to fill the highest priority billets at mobilization that are appropriate for each category of personnel. At the same time the WPAL provides the operational commander with a listing of his total wartime personnel apportionment from which capability/resource based operation plans can be developed. It also establishes the levels used to determine specific support requirements in our logistics support mobilization plans. This is crucial to deliberate planning. The WPAL is a benchmark to show where we are today with regards to billet requirements. It tells us how much we can expect to do with the numbers of personnel available.

LOGISTIC SUPPORT MOBILIZATION PLAN [LSMP]

Logistics Support for Mobilization is always a concern. Unlike units of other Reserve components with mission-specific employment, the Coast Guard Reserve joins the Active Force and its equipment to continue to do a multiplicity of tasks. Many Reserves will augment units by providing the second, third and fourth boat crew, waterfront surveillance team, inspection team, or similar task. What they will need is berthing, messing, and clothing; some will require arms and ammunition or special equipment. Some additional boats will be required for the priority ports. Our planning policies place the responsibility of support at the active unit/district level. We are in the process of identifying our mobilization capabilities and limitations. In June 1985 we published the Coast Guard's Service Level Logistic Support Mobilization Plan [LSMP]. This was the first major revision in many years. In the LSMP we provided planning guidance to our field commanders to assist them in developing their own LSMP's. We also provided the Navy with an initial estimate of our status at and after mobilization. The field developed their initial plans in the past few months.

PROGRAM OBJECTIVES

Our objective now is to pull all of these details into a more comprehensive Reserve Training Program Plan. Several projects and issues that are ongoing at this time are key to a progressive, responsive Reserve program. These include increased Selected Reserve strength, identification of equipment requirements and sources of supply, and upgrading of mobilization assignment training.

We are doing a complete reevaluation of our Reserve training process. We are analysing the key elements, such as port operations, hazardous material, firefighting, boat crews and communications, to define the criteria that will ensure an effective and efficient training and qualification program within the framework of augmentation training supplemented by necessary formal course training and exercise participation.

In the event of mobilization it is imperative that adequate protective equipment and personal accessories needed for operating in a hostile environment be available. In any contingency Coast Guard Reserve boat crews and shoreside patrols will be providing essential boat safety and security functions, such as fuel transfer supervision and explosive ordnance loading supervision. These duties will be performed in critical U.S. ports and overseas theaters of operations. Adequate equipment is necessary to improve their survivability overseas. This equipment is also needed during peacetime for familiarization and training.

Current planning projections for the availability of trained personnel within 30 days after a full mobilization indicate a shortfall. A goal has been established within the Coast Guard to increase our Selected Reserve strength to meet our early response (M through M plus 30) needs by fiscal year 1991.

IMPACT OF GRAMM-RUDMAN-HOLLINGS

The Gramm-Rudman-Hollings impact on the Reserve Training Program is to require a reduction of our program funding level by sequestering 4.3 percent of our fiscal year 1986 appropriation or $2.6 million. We had to absorb another $1.5 million representing the cost of the October 1985 military pay raise, which was not funded by the Congress.

We will accommodate this total $4.1 million reduction by reprogramming resources within the Reserve training appropriation. Specifically, we have reduced our nonprior service recruit input to 54 percent of our original goal in order to save recruit training costs. We have also ordered reductions to our annual training program (approximately 8 percent), and deferred training facility maintenance and training equipment expenditures.

The direct effect of reducing nonprior service accessions is that we must rely more heavily on prior service recruits to maintain our strength. Although they have a strong general military background, many of them do not possess the specific wartime skills most critical to our mobilization mission. Nonprior service accessions obtain those unique skills earlier in their enlistment through initial intensive formal schools training. Because our readiness is gauged in terms of critical skills actually possessed by the mobilization force, our overall readiness will decrease.

Deferring or reducing reserve training expenditures in this manner cuts outlays in the budget year, but not without cost to the overall military readiness of our organization now and in future years.

The Reserve training request for fiscal year 1987 contains provisions for funding the fiscal year 1986 pay raise, a 500-person increase of our Selected Reserve strength to 13,000 members, and operating our continuing training activities at the level of training intensity programmed in fiscal year 1985.

Adding to the direct impacts I've discussed, any Active Force facility and operations reductions that may be necessary could have a significant effect on our program. As I mentioned earlier, much of our Reserve training is accomplished by augmenting the active service in the performance of its missions. To the extent that facilities must close or equipment be layed up, some of our training platforms will not be available.

While proud of the great strides we are making in this arena, we are also aware of our shortcomings. We know where we are; we know what is yet to be done. With your passage of the President's fiscal year 1987 request and your continued support in the future we will ultimately reach our objective of proper mobilization readiness.

I will be pleased to respond to any questions you may have.

Mr. HUTTO. All right. Thank you, Admiral. What are the Coast Guard's overall reserve strength requirements at mobilization?

Admiral BREED. Our overall requirements are 65,500. We have 38,000 active duty forces, which leaves 27,500 to be filled through Selected reserve program. We currently have 12,500 Selected reservists on board.

Mr. HUTTO. OK. With the increase of Coast Guard Selected Reserve strength to 13,000 in fiscal year 1987, what will be the percent of the strength requirements you will need, and how does this compare to the other Reserve components?

Admiral BREED. With that 13,000 figure, we will be at 47 percent of our early response mobilization requirements. In 1985, in the summary of the strengths of the Reserve components put out by the Assistant Secretary of Defense, Reserve Affairs, the figures show that over the past 5 fiscal years, 1980-85, the defense readiness components have been increased by 28 percent. The Coast Guard Reserve, during that same time increased by 6 percent.

Mr. HUTTO. Six?

Admiral BREED. Six percent, sir.

Mr. HUTTO. Uh, hum.

Admiral BREED. In 1985, and I believe Secretary Webb mentioned this figure, DOD Selected Reserve training units, reached nearly 86 percent; and ours will be about 47 percent in 1987. And, DOD in 1987, I believe, projects about 90 percent.

Mr. HUTTO. And, what plans do you have to reduce personnel shortfalls in meeting Coast Guard mobilization requirements?

Admiral BREED. Sir, we have an operating program plan, a 5-year plan, fiscal year 1987-91, in which we would increase our Selected Reserve strength 1,100 per year to reach a strength of 18,000 by 1991. This would bring us up to about 68 percent fill-rate.

Mr. HUTTO. How do you describe the readiness of Coast Guard Reserve units?

Admiral BREED. We have 269 Reserve units today, 83 percent of them, or 222, are at an R-1 or an R-2 rating, which means they are either fully combat ready, or substantially combat ready. This is a pretty good percentage; despite our shortfall in numbers, those that we are training we feel are basically ready to go. Now, our readiness evaluations are focused on the manning and the training, because the logistics and equipment are provided by the Active Force in most cases, because we augment rather than deploy as a unit.

Mr. HUTTO. OK. Thank you, Admiral. Admiral Kempf, if you were to compare the percent of Navy Reserve fighter and attack squadrons with their Active Navy counterparts, how do the percentages stack up in terms of having F-14's and F/A-18's versus older model aircraft, and what does the future look like?

Admiral KEMPF. Percentagewise, we are not exact, but we are doing very well. For instance, out of four fighter squadrons, we have two that have already transitioned to F-14's; the two remaining ones will start transition later this year, and complete in 1987. So, by next year, we will be fully F-14, as is the Active Force.

On the F/A-18; five Active Force squadrons have completed transition to F/A-18's, there are another three in transition. We have one F/A-18 squadron already, another one will start transition at the end of this year. In 1989 and 1990, we will complete our F/A-18 transition. Where we differ here, is we try to stay about parallel with the Active Force so that we have one A-7 airwing, and one F/A-18 airwing. Since about half of our carriers in 1988 will be F-18 configured and the other half will be A-7E configured, we want to be able to go either way.

As soon as it becomes apparent that there will not be an A-7E aircraft carrier for us to operate from, we will at that time transition to F/A-18's, so we will be completely compatible. That is the idea, and that will occur in 1990.

Mr. HUTTO. OK. As you know, we are vitally interested in the special operations. What is the status of the Navy Reserves Seals Program? Are the Reserve Seal teams comparable to their active duty counterparts, in terms of training and equipment?

Admiral KEMPF. Well, Mr. Chairman, we do not have any commissioned Seal teams, per se, that are in the Naval Reserve. All of our Reserve Seals are augmentees. We have four augment teams which are comprised of 6 officers and 20 men each. They augment four of the Active Force Seal teams. They use the same equipment and keep the same qualification as their contemporaries in the Active Force. We have a lot of other people in special warfare that are on staffs, in training, and so forth; but the ones who contribute directly to Seal teams work out to be 24 officers and 80 enlisted. They keep their skills up and use the same equipment as the active duty Seals do.

In fact, I am proud to say that Lieutenant Commander Adams was chosen the Super Seal of the year, this last year. He is a reservist——

Mr. HUTTO. That is great.

Admiral KEMPF. He won a competition which included Active and Reserve Seals—it was a 2¼-mile swim with fins and goggles, a 10-mile run, and 30 miles by bike; and he came out No. 1. So, the reservists that are participating as augmentees are just as qualified as the active duty Seals are.

Mr. HUTTO. Very good. Thank you. General Buehl, in your statement you indicate that a 100-percent combat readiness for all 49 air and ground units tested in fiscal year 1985 was achieved. What exactly does that rather impressive statement mean?

General BUEHL. A little preamble. A few years ago, the Commandant put a task group together to determine how we could best ascertain combat readiness of deploying units. He wanted to be sure, in fact, they were able to do their jobs. So, they came up with the idea that you can test individuals for technical skills, and you can test teams for how they integrate those technical skills into whatever mission has to be performed, whether it be an aircrew, an artillery outfit, and so forth.

So, there is a mechanism now, whereby every infantry battalion, every squadron, and every artillery battalion, as an example, is tested prior to its deployment to Okinawa. In the case of Reserves we apply the same standards. And, that is what my statement refers to. The MCCRES standards for the Reserves are exactly the same as the MCCRES standards for the active duty component.

I know that the testers, who are experienced officers and enlisted men, have the same application of those standards as they would down at Camp Lejeune or Camp Pendleton, for the regular component.

Mr. HUTTO. OK. Well, we want to thank all of you for your good testimony here today, and we will have questions that we would present to you, so that you may provide the answers for the record.

I assure you that you will have our continued support. I appreciate very much your being here today.

General BUEHL. Yes, sir. Thank you, sir.

Mr. HUTTO. The subcommittee will stand in recess until 2 p.m.

[Whereupon, at 12:15 p.m., the subcommittee recessed, to reconvene at 2 p.m., Thursday, February 27, 1986.]

AFTERNOON SESSION

NATIONAL GUARD AND RESERVE OPERATION AND MAINTENANCE

The subcommittee met, pursuant to call, at 2 p.m., in room 340, Cannon House Office Building, Hon. Earl Hutto, presiding.

STATEMENT OF HON. EARL HUTTO, A REPRESENTATIVE FROM FLORIDA

Mr. HUTTO. We resume testimony this afternoon on Reserve component readiness, with the appearance of General Conaway, Director of the Air Guard, and General Gill, Chief of the Air Force Reserve, followed by the National Guard, Naval Reserve, and Reserve Officers Association.

There are worrisome and some entirely unintended side effects of Gramm-Rudman on the Reserve components, particularly the Air Guard, which we need to explore in some detail.

Also, as we heard in testimony from the Active Force, it may be time to revisit the question of reprogramming thresholds to provide adequate flexibility during times of budgetary cutbacks and certainly we would solicit your comments on this matter.

It is a pleasure to have this afternoon's witnesses back with us. Each of them are veterans of prior appearances, and assistance to the subcommittee, so I will just say, welcome back, and proceed.

And, after my Virginia colleague makes his remarks, General Conaway, you may proceed as you desire.

Mr. WHITEHURST. In greeting old friends of the subcommittee, I believe that there is a real, intrinsic value and continuity of our witnesses, which is even more important when it comes to the associations.

You all are in the best sense an institutional memory and data base as regards to asserting upon its affairs. Our citizen-soldiers, sailors, and airmen often have a vastly different, and often more historically valid view of their roles and requirements, than do their Active Force counterparts, but are not allowed the luxury of either continuity or even longer term planning in many cases.

So, we are happy to have you here. And speaking as a historian, if we did not have you, we would genuinely have to invent you. [Laughter.]

Mr. Chairman, I apologize for having to leave, and also to Generals Conaway and Gill. I have a physician's appointment, and you know what those are like to get. It is like Halley's Comet. I am not sure I am going to get to see that, but I am not going to miss this doctor's appointment. [Laughter.]

Mr. HUTTO. Thank you, Mr. Whitehurst. OK, General Conaway, General Gill, you may proceed.

STATEMENT OF MAJ. GEN. JOHN B. CONAWAY, DIRECTOR, AIR NATIONAL GUARD, U.S. AIR FORCE

General CONAWAY. Thank you, Mr. Chairman; and Mr. Whitehurst, Mr. Hutto, and to the other members of this committee, for your strong support for the Guard and Reserve.

And, thanks for the opportunity to appear. I will keep this very brief, because I would rather hear your questions than hear myself.

I want to thank this committee for its strong support in helping the Air National Guard achieve its highest state of readiness in history. I say that, because we are at the apex, but we starting down slightly due to budget cuts. And, we can discuss the Gramm-Rudman cuts for 1986, if you would like. Our strength is over 110,000, highly capable, highly skilled, experienced people. We have met our end strength for 7 straight years.

The budget calls for 115,000 personnel next year.

The GI bill has been helpful to us in the past. We are hopeful that we will be able to continue using it and that it will be helpful to us in the future.

Our training is more realistic than ever. We are involved in all Air Force and joint exercises and our overseas deployments are greater than they have ever been. This past year, I have been to Germany, Denmark, United Kingdom, Labrador, Honduras, and Panama, seeing Air National Guard units in action, performing day-to-day exercises. So, our missions are worldwide.

As proof of our readiness, we, and the Reserve, have done our share of winning worldwide competitions against our allies and the Active components, and continue to do well with all of our units.

Our flying safety record for the fifth straight year is below three accidents per 100,000 flying hours. Of all of the major forces, Active, Guard, and Reserve, the Air National Guard flies the highest percentage of high-risk, fighter attack, reconnaissance interceptor flying hours, and we were able to attain our fifth straight year below three. This equates to a readiness savings of over a wing of aircraft, 72 to 84 aircraft, and well over a squadron of highly qualified aircrews.

This has been possible because of the full flying hour funding that this committee has given us from year to year. We still fly at a lower activity rate than the Active components do. It is possible to maintain our readiness, and keep our accident rate down, because we have a more experienced force composed of many prior service personnel that have come to us from the Active Force. We only average approximately 120 hours per year per aircrew, and we are making some cuts from that level.

We have great modernization reflecting the confidence of the Air Force and Congress in the Air National Guard, which we appreciate. We have three F-15 squadrons coming to the Air National Guard; one existing, one coming to Georgia, one to Hawaii; and we have more F-4E's coming. We are awaiting the results of the Air Defense Competition, which Congress directed for the follow-on-air-defense interceptor for the Guard and the Active Forces. We are full participants with the Active Air Force in the panels and in the selection process for this Air Defense Competition.

We now have eight F-16 units; including, McEntire, SC, which is combat ready and Jacksonville, FL, which is converting this year. I was just down there last week. They have people starting to train, and they are moving out smartly with their conversion there, in doing that.

Our 104 KC-135's have been reengined and on the 10th of March all will be back at home station. The JT-3D reengining, where we have bought used Boeing 707's, with congressional direction, and reengined them with reverse thrust, increased the combat capability immensely.

We are looking at robusting our existing units to help meet the needs the Air Force and the Defense Department have for the Guard.

We thank you for the new C-130H's that have helped us to modernize our airlift fleet, and also to retire some of our older C-130A's.

Our operation and maintenance account, is a lean and mean account. I do not realize at times how lean and mean it is, until we have cuts like we are undergoing at this particular time. It has a very small real growth, 5.8 percent, which is tied to increased force structure, more missions that the Air Force has asked us to take and to conversions. We ask for your help in supporting our O&M request this year.

We currently have reprogramming flexibility of $5 million. Obviously, we could use more internal flexibility. We are in a position where we may have to look at considerably more this year in the Air National Guard. Obviously, we are going to need your help, and the help of the Department of Defense in meeting the goals that we have.

You mentioned Gramm-Rudman, and in closing, I will say that I have to take a 20,000-flying-hour cut right off the top, and then make additional cuts to get down to the deficit reduction level that

I have. So, we do have readiness impacts. We are concerned about some possible safety impacts, but we hope that will not bother us too much.

I thank you for your help and support very much, sir, and I look forward to any questions you have.

Mr. HUTTO. Thank you very much, General Conaway.

[Statement of General Conaway follows:]

PREPARED STATEMENT OF MAJ. GEN. JOHN B. CONWAY

AIR NATIONAL GUARD

Overview

Mr. Chairman, and members of the committee, it is my pleasure to once again report to you on the current status of the Air National Guard.

The National Guard is unique among the world's reserve military forces, combining both State and Federal functions. It provides the nation with an effective, economical military force for national defense, and concurrently gives the States a trained, equipped and disciplined force to protect life and property while preserving the peace and public safety during natural disasters, civil disorders and other emergencies.

The Federal peacetime mission of the Air National Guard is to serve as the primary source of augmentation for the active Air Force in the event of war or national emergency. While this is certainly our primary Federal mission, the 1980's have seen a tremendous growth in the direct mission support we provide to the Air Force on a year round basis. Gone are the days when the ANG trained only one weekend a month and two weeks in the summer. Now we are involved daily all over the world performing real missions such as aerial refueling, air defense, and tactical airlift. The Air Force treats us as equal partners in the defense mission. We appreciate the confidence they have shown in our capabilities and will continue to seek involvement in realistic mission scenarios where we can provide a direct contribution.

The State mission of the Air National Guard is to provide organized, trained and equipped units and personnel to respond to requests from State authorities, during periods of emergency, to protect life and property, and to preserve peace, order and public safety. In 1985, ANG personnel were called up 62 times for emergency assistance. These missions involved 770 personnel using a total of 3486 workdays. Thirty-four of these missions were in support of the National Search and Rescue Service, and were accomplished using 386 Special Training workdays provided by the Aerospace Rescue and Recovery Service. These missions resulted in 35 lives saved. The remaining 28 missions were in direct support to civil authorities and involved 504 personnel using a total of 3100 State Active Duty workdays. These missions consisted of disaster relief, evacuation and security following floods, tornados, hurricanes, forest fires and snowstorms. These missions also provided emergency shelter, medical evacuation and emergency communications support. During performance of these missions, ANG Rescue units were credited with four additional lives saved.

The ANG has the fifth largest air force in the world. We have more than 1,700 aircraft and have approximately 110,000 people in uniform organized into 91 flying units and 244 mission support units. We operate six major ANG bases and have a budget approximating three billion dollars. We believe the taxpayers are getting their money's worth.

Force structure

While the ANG remains stable at 24 wings and 67 groups in our 91 flying units, there is a significant increase in quality and effectiveness as we continue our modernization program and convert to newer and more capable aircraft. In FY 1987, we will convert three units to more modern aircraft. Our fighter units continue modernization with our F-4 unit at Hickam, HI converting to F-15's and our F-106 units at Jacksonville, FL and Otis, MA converting to F-16 aircraft. Our other FY 1987 conversion is at Little Rock, AR where our Air Refueling unit will convert from KC-135 tankers to a Tactical Airlift Replacement Training Unit mission and C-130E aircraft. With this conversion, the Air National Guard will begin assuming the responsibility for C-130 Combat Crew Training of Reserve Force crews. Two additional FY 1986 conversions were recently announced. Our F-4D unit at Burlington, VT will convert to F-16s and our F-4D unit at Dobbins, GA will convert to F-15s.

In addition to the foregoing conversions, we are being modernized through receipt of later models of our currently owned aircraft. These enhancements are called series changes. In FY 1987, two Tactical Airlift units will upgrade their aircraft. The St. Joseph, MO C-130A unit will change to C-130H aircraft and the Dallas, TX C-130B unit will change to C-130Hs. Our unit at Charleston, WV will complete its upgrade to C-130Hs which started in FY 1986 and our F-16 Replacement Training Unit at Tucson, AZ will complete its growth to 18 aircraft. Our F-4C Tactical Fighter units at March, CA; Niagara Falls, NY, and Ellington, TX will all change to F-4Ds. A recent public announcement accelerates a FY 86 F-4C to F-4D series change for our Selfridge, MI unit.

Another category of change increases the aircraft inventory of a unit. This type of action is called robusting. During FY 1987, we will robust our C-130B units at Charlotte, NC, and Martinsburg, WV, from 8 to 12 aircraft each. We will robust our New Orleans unit from 18 to 24 F-15s and our Tucson, AZ, Combat Crew Training Unit from 6 to 18 F-16s.

While not falling into any of the above categories, an ANG Aerial Refueling Squadron at Eielson Air Force Base, Alaska will be activated in FY 1987. This KC-135E tanker squadron will be attached to our Anchorage, Alaska Composite Group and have 4 aircraft.

Thanks to the assistance of Congress and the Air Force, some of our units will be able to upgrade their operational support aircraft by replacing their older C-131s with more capable C-130As and new C-12s.

As a result of our modernization efforts, Air National Guard flying units continue to make a substantial contribution to the total Air Force combat capability and will fulfill a large portion of force commitment during any future crisis. In FY 1987, the Air National Guard will possess 73 percent of the total Air Force Air Defense Interceptor forces; 52 percent of Tactical Reconnaissance forces; 34 percent of Tactical Airlift forces; 25 percent of Tactical Fighter forces; 17 percent of Aerial Refueling forces; 13 percent of Rescue and Recovery forces; 14 percent of Special Operations forces; 24 percent of Tactical Air Support forces; and 4 percent of Strategic Airlift forces.

Equally important to the success of the Air National Guard are our mission support units. There are 244 independent units heavily concentrated in the areas of communications, weather, tactical control and civil engineering. There are also 298 mission support units located with our flying units. These are primarily medical, civil engineering, security and aerial port units.

Base information systems flights provide fixed communications and data support to our flying units. These units operate and maintain the base fixed and tactical telephone systems, base information processing centers, ground-to-air radios, intra-base radios, high frequency radios and base cable plants. Many of these flights also have separate, deployable elements which support Strategic Air Command, Military Airlift Command and Tactical Air Command at collocated operating bases in Europe.

Our 54 combat information systems units (formerly combat communications units) are equipped and staffed to support the Tactical Air Forces, REDCOM, CENTCOM and Joint Task Forces (JTF's). They provide specific communications service to forward deployed commanders and provide restoral service to the Defense Communications System. They are also equipped to provide terminal air traffic control facilities and services.

Along with our standard type of combat informations system tasking, we have units tasked with unique missions. We now have two units tasked to provide equipment and personnel augmentation as part of the Joint Communications Support Element. The mission of these units is to support Joint Task Forces during contingency military operations or disaster relief and evacuation activities. Another combat informations system unit has been tasked, and will receive equipment shortly, to support a classified REDCOM mission. Also, the JCS are budgeting equipment for two other units in support of designated JCS taskings.

The Air Guard has 39 weather flights and one weather squadron, most of which provide weather support to Army Guard and Reserve units. The ANG weather units also train with the Army units that they are tasked to support. We have one weather flight tasked to support the Air Force Tactical Weather System.

Our 29 tactical control units operate mobile radar control and reporting centers in addition to providing forward air control posts. All units have wartime taskings and quick response deployment schedules. Thirteen of these units deployed to Europe in FY 1985 to support exercises in Denmark, Norway, Italy, and Germany.

We also have 4 Aircraft Control and Warning Squadrons that provide around-the-clock air surveillance radar coverage capability for Hawaii and Puerto Rico. The Regional Operational Control Center in Hawaii is operated and maintained completely by Air Guard personnel.

Our 19 Engineering Installation (EI) squadrons are equipped and trained to engineer, install, relocate, remove, restore and accomplish on-site depot level maintenance on radars, antennas, cable plants, radios and teletype and communications centers. Our EI units represent the majority of the total Air Force capability for this type of work and each year accomplish a significant portion of the total Air Force EI workload.

Our 92 Civil Engineering Squadrons are trained and equipped to undertake wartime force beddown, rapid runway repair and base recovery construction. Peacetime alteration and repair projects sharpen their wartime skills as well as constructing urgently needed projects for both active Air Force and Air National Guard bases. A second Civil Engineering RED HORSE (Rapid Engineering Deployment Heavy Operation Repair Station Engineering) Squadron has been federally recognized and will become operational in FY 1986.

A Prime RIBS (Readiness In Base Services) expansion and realignment initiated in FY 1985 will reduce the Air Force wartime shortfall in food services and support by over 1,100 positions. This will increase the Air Guard contribution to the total Air Force wartime food services and support requirement from 28 percent to 40 percent.

The Medical Service of the Air National Guard supports our 91 flying units in peacetime and fulfils the wartime medical readiness requirements of the active Air Force. Our Medical Service consists of 91 medical units (71 clinics and 20 hospitals) as well as 9 Aeromedical Evacuation units (7 flights and 2 squadrons). Significant personnel increases are taking place in the Aeromedical Evacuation units and additional personnel are programmed for our hospitals and clinics. These increases are in response to enhanced wartime mission requirements for the Air Guard Medical Service.

The Air National Guard's 19 Mobile Aerial Port and two Strategic Aerial Port units provide qualified personnel in direct support of the Air Force airlift requirements by establishing or augmenting cargo and passenger handling capabilities worldwide.

Like their flying unit counterparts, our mission support units contribute heavily to the Air Force combat capability. In FY 1986, the Air Guard will possess 65 percent of the Air Force combat information systems forces, 55 percent of the Air Force's engineering and installations forces, 30 percent of the civil engineering forces, 55 percent of tactical weapons control, 10 percent of the weather reporting and forecasting forces, 72 percent of the aircraft control and warning forces, and 12 percent of the aerial port forces. instances, one reengined KC-135 has replaced two older model tankers in refueling fighter aircraft deploying to overseas locations. I thank the Congress for their support in providing the necessary funding for the KC-135 reengining program.

During 1985, four ANG tanker units deployed four aircraft each and approximately 300 personnel to Moron AB Spain for 15 days of annual training in support of the European Tanker Task Force. Our aircrews gained valuable experience in European theater air refueling tactics, our support personnel were seasoned in unit support operations away from home station, and all personnel benefited from a mobility preparedness exercise. Nine ANG KC-135's also provided air refueling support for Coronet Buffalo in May 85, which deployed 36 ANG A-7's to England in the largest peacetime overseas deployment of ANG aircraft. The 101st AREFW, Maine ANG, acted as Tanker Task Force Command for the ANG KC-135's, augmented by USAF KC-135 and KC-10 aircraft. Two units, with four aircraft and 120 personnel, deployed to Cairo, Egypt in August 1985 in support of Bright Star 85.

In the Southern Command region, the ANG maintains four A-7 aircraft on station at all times in defense of the Panama Canal. These aircraft are supported by our reengined KC-135s, which in addition to performing in aerial refueling, move personnel and equipment and free up previously used C-130s for other taskings. We also maintain two Aircraft Control and Warning radar units in defense of Puerto Rico, and support airlift requirements throughout Central and South America with six C-130 aircraft, a mission we share with the Air Force Reserve.

During FY 1985, Air National Guard Tactical Airlift units provided support for 340 missions utilizing 1324 airframe days to Joint Airborne/Air Transportability Training (JA/ATT), an interservice program for the wartime application of airlift. In this program, the various services jointly develop common procedures for combat operations in order to attain and maintain wartime readiness.

The Air National Guard also supports the Army in exercises throughout the world. Joint training programs, such as at the National Training Center, Fort Irwin, California, provide joint training experience for both the Army and the Air National Guard.

To sharpen ANG fighting skills and familiarize our Air Guard personnel with joint operations, Composite Force Training exercises are conducted throughout the year. These exercises are sponsored and planned by Air Guard flying units, Permanent Field Training Sites, and active Air Force units. These exercises encompass all mission areas of the Air Guard and are developed for the specific purpose of providing realistic training for all participants.

As a further measure of the Air National Guard's global readiness and realistic training received, 10 Tactical Fighter and Reconnaissance units participated in 7 overseas deployments to Germany, Norway and England in FY 1985. Two of these deployments were joint deployments where two or more units deployed together. This approach has reduced airlift costs, since the units share equipment and resources. Fourteen Fighter and Reconnaissance units are scheduled to participate in 11 overseas deployments in FY 1986.

In recognition of the increasing importance of electronics combat, the Air National Guard has developed a long-term project to design, build, and employ low-cost electronic warfare simulators. These simple, but effective, radar transmitting devices are deployed to Air National Guard gunnery ranges throughout the United States, and to a special Tennessee ANG/NGB project. They are currently being used in large-scale exercises in support of readiness training for U.S. Air Force, Army and Air Guard, U.S. Navy and Marine Corps aviators.

I have talked about the significant contributions our flying units make as a by-product of training. Our mission support units have also made impressive training advances. In the past four years, our combat information systems units have deployed approximately 1,500 personnel to Europe, Central America, Southwest Asia, and Korea in support of major exercises. Additionally, thousands of ANG communications personnel have participated in dozens of exercises within the continental United States. The combat readiness of these units will be tested again in FY 1986 by their participation in nearly 40 exercises and deployments world-wide.

Our Tactical Control units train at their home stations by participating in system-wide simulated exercises. As with combat communications, these units also play a major role in Joint Chiefs of Staff exercises. In FY 1985, our thirteen unit deployments to Europe were the fourth in a series of deployments of tactical control units and demonstrated our global readiness as well as providing the units with realistic training. Six deployments are programmed for FY 1986.

Two of our Engineering Installation (EI) units deployed to Europe in June 1985 and performed successfully under simulated wartime conditions. An Air Guard EI unit placed second in the FY 85 Air Force Communications Command "SHOOTOUT" competition. "SHOOTOUT" is a series of competitive taskings undertaken by Air Guard and active Air Force units. Overseas exercises and competitions are also scheduled for Air Guard EI units in FY 1986.

Our civil engineering and services units also participate in Joint Chiefs of Staff European, Pacific, Alaskan, and Southern Command exercises. A steadily growning trend of National Guard involvement in joint exercises has enhanced training and the Total Force concept.

Our Prime RIBS teams have supported Air Force requirements with deployments to Air Guard, Army Guard, and Air Force bases in the United States as well as locations in Europe, Korea and above the Arctic Circle in Alaska.

As a final example of our contribution to the Total Force and our nation, I had the honor of pinning astronaut wings on two Air Guard members. We currently have four astronauts in the Air National Guard. These professional airmen represent the high caliber and commitment of all of our Air Guard men and women. The nation can be proud of their dedication to readiness and willingness to serve as members of the modern militia. They are truly Americans at their best.

Readiness

I am proud to report that again in 1985, Air National Guard units successfully demonstrated their capability to perform their wartime mission during Operational Readiness Inspections (ORI's). Even through the turbulence related to conversions and modernizations, the readiness of our units remains at very high levels.

There are a number of contributing factors to our readiness. Recent adjustments to ANG precedence ratings in the DoD Logistics System has given us parity with like Air Force units. As a result, we have improved our equippage and support posture in consonance with DoD policies. Newer, more modern, equipment is also a factor as fewer logistical problems exist. Thirdly, our people are doing their job. Realistic training and increased activity provides a solid base in preparation for ORI's.

These inspections are conducted using realistic wartime scenarios that inject stress and require unit commanders and staff to make decisions that closely approximate what would or could be done in an actual wartime environment. The majority of Air National Guard units now deploy from their home station to Air Guard Field Training Sites and other locations for their inspections. These deployments accentuate mobility training and experience in unit operations in unfamiliar environments and have materially enhanced unit readiness and capability. An Air National Guard unit (263rd at Badin, NC) was the first of any Air Force Combat Communications units to receive an outstanding ORI rating.

Manpower

The Air Guard achieved a military end strength of 109,398 in FY 1985. This is the highest level ever achieved by the Air Guard and makes FY 1985 the seventh consecutive fiscal year that programmed end strength levels have been exceeded.

The Air Guard's FY 1986 end strength program is 103,590 drill strength and 7,269 AGR (Active Guard/Reserve) for a total end strength of 110,859, funded with an average strength of 109,100. In FY 1987, we have programmed 106,844 drill strength and 8,356 AGR for a total end strength of 115,200 and a funded average strength of 113,100.

Although the Air Guard has consistently exceeded programmed strength levels, many critical skills remain below acceptable levels. At the end of FY 1985, 15 percent of our vacancies were in hard-to-fill areas such as aircraft maintenance, munitions systems, aircraft armament, and security police. Additionally, the Air Guard has projected a growth of over 10 percent by FY 1990. Of this growth, 45 percent will be in such critical skills as aerial port, RED HORSE (civil engineering), medical and aircraft armament. We expect to continue meeting our strength goals but anticipate a greater challenge as the recruitable population age decreases.

The Air Guard's recruiting program uses a precision recruiting approach. This approach keynotes recruiting for existing or projected critical skill vacancies. The overall responsibility for recruiting rests with the respective State or territory. The addition of a full-time retention force has paid off, as losses, as a percent of overall strengths, again declined last year for the seventh year in a row. We continue to focus on recruiting rated officers, medical officers, engineering officers, minorities and women. In fact, the percentage of women and minorities in the Air Guard increased again in FY 1985 for the fifth consecutive year. The continuation of recruiting and retention as co-equal programs has aided the Air Guard in meeting its end strength objectives as well as furthering our progress in reducing critical skill vacancies.

In its Total Force role, the Air National Guard is highly dependent on personnel who have proved to be competent and reliable. By recruiting a high percentage of prior service personnel into the Air Guard, we retain the maturity and experience in the enlisted force and avoid the high cost of basic military training (BMT) and initial skills technical training. Since FY 1980, our enlisted accessions have consistently demonstrated a 60 percent prior service and 40 percent non-prior service mix.

In April 1984, the Secretary of the Air Force established a FY 1985 female accession goal of 17 percent. The Air National Guard exceeded that goal in FY 1984 with 17.5 percent of accessions being female. In FY 1985, 16.5 percent of all ANG accessions were women. At the end of FY 1985, participation by women in the Air Guard increased to 11.2 percent of the force. It is also important to note that even during years when overall accessions were declining (i.e., FY 1980-1983), the rate of female accessions into the Air Guard showed a steady increase.

In FY 1985, the Air Guard exceeded its combined military technician and full-time military (AGR) end strengths. In FY 1986, we expect to fully meet our full-time end strength programs which are 1,021 higher than FY 1985 actuals. In FY 1987, our full-time personnel growth is made up of 290 technicians and 1,087 AGR's for a total of 1,377. This growth supports force structure, equipment and mission changes.

Future manpower growth will contain a mix of technicians and AGR personnel. This mix will be determined based on the missions to be performed. The majority of our maintenance and support personnel are currently technicians and this type growth will be programmed as technicians in the future. Security, field training sites, ranges, detached alerts, aircraft operations, recruiting, retention and similar type programs which are military in nature will be programmed as AGR. We anticipate that our full time force will contain approximately 75 percent technicians and 25 percent AGR.

OPERATION AND MAINTENANCE BUDGET REQUIREMENTS

Operation and Maintenance funds are a key ingredient of force readiness. These funds are used to buy aviation fuel and flying hour supplies, perform depot maintenance on our weapons system and their components, maintain our facilities, and pay our civilian employees.

The following table shows Operation and Maintenance, Air National Guard funding data for FY 1985-87.

[In millions of dollars]

	Fiscal year—		
	1985	1986	1987
Budget activity:			
Mission forces	$1,343.2	$1,338.2	$1,437.9
Depot maintenance	353.5	353.6	374.9
Other support	127.9	121.4	119.9
Total	1,824.6	1,813.2	1,932.7

The Air National Guard Operation and Maintenance request for FY 1987 reflects an increase of $119.5 million over FY 1986 and provides real growth of 5.8 percent. The request includes program growth of $105.4 million and price growth of $14.1 million and is needed to support the Air Guard's readiness and training requirements as weapon systems modernization continues in FY 1987.

Mission forces

This budget activity funds our flying and mission support operations. This activity has program growth of $85.2 million and price growth of $14.5 million. Major increases in this activity are the purchase of data automation equipment for the Core Automated Maintenance System ($12.5 million); federal contribution towards the Federal/State Operation and Maintenance Agreements due to completion of construction projects at 24 ANG installations ($19.4 million); costs associated with increase of 9,055 flying hours ($18.6 million); organizational clothing and equipment purchases to reduce wartime requirements backlog ($15.1 million); revision of expense and investment criteria which transfers funding from Procurement to Operation and Maintenance Appropriations ($5.3 million); and support of additional civilian and military workyears ($4.0 million).

Depot maintenance

This activity supports funding for all centralized maintenance and modification of our weapon systems and other equipment performed at the Air Logistics Centers. There is program growth of $23.3 million which is offset by price reductions of $2.0 million. Major program changes are reflected for F-4E and EC-130E aircraft with associated modifications ($12.6 million); overhauls of aircraft engines and communications equipment ($26.0 million); and exchangeable items for F-4 and F-16 aircraft ($3.3 million). An offset ($17.5 million) is identified as a result of decreased F-4C requirements because of accelerated conversions.

Other support

This activity funds the operation of the ANG support aircraft flying program, the National Guard Bureau's Air Directorate, real property maintenance, and base operating support for the six bases for which the ANG is host or single manager (Buckley, Ellington, Otis, Rickenbacker, Selfridge, and McEntire). For this activity there are program reductions of $3.1 million and price growth of $1.6 million. Primary reason for decrease in this activity is one-time FY 1986 real property maintenance contracts ($4.0 million).

MILITARY PERSONNEL BUDGET REQUIREMENTS

Military Personnel funding provides for the pay, allowances, clothing, subsistence and other expenses of Air National Guard members.

The following table shows the National Guard Personnel, Air Force funding data for FY 1985-87:

[In millions of dollars]

	Fiscal year—		
	1985	1986	1987
Budget activity:			
Unit and individual training	$525.8	$559.6	$579.4
Other training and support	359.4	434.8	479.5
Total	885.2	994.4	1,058.9

The Air National Guard's FY 1987 Military Personnel budget request increases by $64.5 million. This increase provides 6 percent real growth over FY 1986. I would like to summarize the more significant elements of the program.

Unit and individual training

This budget program finances those personnel who annually perform 15 days of active duty for training, 48 inactive duty drill periods, and additional flying training periods (Pay Group A). It also includes basic training for non-prior service enlisted personnel as well as their follow-up training at either home station or formal Air Force technical schools (Pay Group F). Lastly, it includes funding for the pay of high school graduates and seniors who are awaiting entry into basic training (Pay Group P).

The FY 1987 budget request for Unit and Individual Training increases by $19.8 million. This increase consists of $19.2 million in program growth and $0.6 million in price growth. Major changes impacting funding levels are strength increases associated with force changes ($2.5 million), impact of prior year growth ($6.9 million), increased percentage of manning ($1.4 million), and increased Retired Pay Accrual costs associated with program increases ($5.6 million).

Other training and support

This budget program includes formal school training for our personnel; special training tours of active duty; pay, allowances, and other expenses for personnel on full-time active duty; and other costs such as enlistment and reenlistment bonuses, educational assistance, selective affiliation bonuses, student loan repayments, disability payments, survivor benefits, and hospitalization costs for personnel injured in the line of duty.

The FY 1987 budget request for this category increases by $44.7 million above FY 1986. The increase consists of program growth of $43.4 million and price growth of $1.3 million. Increased funding requirements are reflected for Initial Skills Acquisition Training ($0.9 million), Refresher and Proficiency Training ($0.9 million), Unit Conversion training ($0.7 million), Direct Unit Support ($15.9 million), United States Air Force Mission Support ($7.4 million), training requirements as a result of increased aircraft ($3.2 million), and Retired Pay Accrual costs associated with all program changes ($11.2 million).

SUMMARY

The Air National Guard has proven to be an integral part of the Total Force. We exist to support U.S. foreign policy and national security objectives, while providing a State militia uniquely qualified for local disaster and public safety missions. Our responsibilities are truly global, national, and local, and each offers its own set of challenges for the future.

The Air National Guard is ready to meet these challenges. The capability of our citizen airmen to respond to the most demanding wartime missions is a matter of record. We appreciate the continuing strong support of the Congress. That support has permitted the Air National Guard to continue modernization and to make significant progress toward our goal of strength through readiness.

Mr. Chairman, this concludes my prepared statement. I will be happy to respond to any questions you may have.

STATEMENT OF MAJ. GEN. SLOAN R. GILL, CHIEF OF AIR FORCE RESERVE, HEADQUARTERS, USAF

Mr. HUTTO. General Gill, you may proceed, and then we will ask questions afterward.

General GILL. Thank you, Mr. Chairman. And, I would like to add my thanks also to this committee for its strong support of the Air Force Reserve Program, and would like to say, again, that I think 1985 was certainly one of the finest years that we have ever had in the Air Force Reserve.

For the eighth year in a row, we went through our end strength goal. We achieved 75,214, of a programmed 74,829. In 1985 we received, for the second year in a row, the Chief's Flying Safety Award, and we were the first command to have ever received that award back-to-back. We flew over 135,000 hours in the Air Force Reserve to earn those awards.

And, of course we were extremely proud of what we did in the competitions. We won the International Tactical Airlift Competition at Pope Air Force Base, when our 94th Tactical Airlift Wing out of Dobbins Air Force Base became the best military airlift wing in the world, against a lot of competition, including seven foreign countries.

We then went out, and with our F-16 unit out of Hill Air Force Base, that had only been converted from F-105 aircraft for 20 months, and against 17 teams at Gunsmoke, came away as the overall winner.

We then competed in the SAC bombing competition, and out of 57 KC-135 crews, one of the Reserve crews came up as the outstanding KC-135 air refueling crews.

So, we are extremely proud of being triple-crown winners in 1985, and that due, in large part, to the support that is given to the Air Force Reserve by this subcommittee.

The GI bill and our enlistment bonuses continue to help our retention and also to help us meet our goals. We are looking at a strength 78,300 for fiscal year 1987, that is about a 3.6-percent increase. We are continually modernizing our fleet, we have the C-5A unit equipped going in at Kelly Air Force Base. It is exceeding even my best expectations. It is working very well. Our recruiting is excellent out there. I have 5 aircraft out there, and over 17 fully mission ready aircrews right now.

In 1987, we will also continue building our first C-141 equipped strategic airlift at Andrews AFB, to its full complement of eight C-141's. We will be getting new F-16 C's and D's, which are right off the factory floor, with the latest mod's, and they will be coming into Luke AFB, AZ. New C-130H's will be coming this year, from last year's buy, added by Congress, for Maxwell Air Force Base. And, from the fiscal year 1986 buy, eight C-130H's will be going into Pittsburgh.

We are also modernizing our F-4D, another initiative provided by Congress. And, we are looking forward to that modernization which will increase our capability and give us an advancement from a 50-mil-bombing system down to a 10-mil-bombing system. This means that I will risk and lose fewer aircraft, and still take out designated targets.

One of our largest builds over the Five-Year Defense Plan [FYDP] is in the support arena: 79 percent of my build through this FYDP is in the support arena, rather than in the flying arena.

We will be looking at ROPMA this year. I believe it came over to Congress, 11 December 1985. We support that and would like to see early action on it.

During this year, we have, again participated in disaster and assistance programs. We have fought fires, along with the Air National Guard, out in California; we went after the insects out in Idaho, the infestation they had out there; we also went down to provide earthquake relief in Mexico City. And, I received a nice letter from the Defense Department, saying that the Air Force Reserve had carried 75 percent of the humanitarian airlift this past year.

To sum up, this is absolutely one of the best years we have had in the Air Force Reserve, and we look forward to another year just like it.

That completes my statement, and I will stand by for questions.

PREPARED STATEMENT OF MAJ. GEN. SLOAN R. GILL

Mr. Chairman and members of the committee, thank you for the opportunity to submit for the record the Air Force Reserve Program for FY 1987.

It is with great pleasure that I report that the Air Force Reserve attained an end strength of 75,214 in FY 1985, exceeding its programmed end strength of 74,829. All of our units are well-manned and well-trained. All Reserve units can be mobilized in 24 hours and deployed within 72 hours. The keys to Reserve effectiveness have been, and continue to be, modern equipment, meaningful missions, our technician and Reserve personnel and the strong support of the active force. Overall, I believe the Air Force Reserve is stronger than it has ever been.

As of January 1986, all of our equipped flying units were combat ready. All six of our associate strategic airlift wings were combat ready, as were two of our SAC Associate KC-10 units. In FY 1986, SAC began operation of the third KC-10 Base at Seymour-Johnson AFB, North Carolina. As with the other existing KC-10 units, the Air Force Reserve Associate program will provide one-half of the total aircrew force for the KC-10 at Seymour-Johnson. All three KC-135 tanker squadrons remain in combat ready status and have crews standing daily alert.

The Air Force Reserve will continue to pursue modernization of its airlift and fighter forces in FY 1987. In FY 1987 our first Reserve C-5 organic unit at Kelly AFB, TX will grow from five to ten primary authorized aircraft (PAA) and by the second quarter of FY 89 will have a total of 15 PAA. Our success with recruiting the large increase in personnel for this unit has been even better than original expectations. Placing C-5As in the Air Force Reserve will reduce their peacetime flying cost and extend the aircraft service life because we will fly them less than the active force.

In FY 1987, we will also continue building our first C-141 equipped strategic airlift at Andrews AFB, Maryland to its full complement of 8 C-141s. The C-141 has long been the backbone of the strategic airlift fleet and we are proud to expand our mission to the equipped role. We will provide 100% of the aircrews and maintenance personnel for our equipped strategic airlift units while continuing to supply 50% of the aircrews and approximately 40% of the maintenance personnel for the C-141s and C-5s in the associate fleet.

On the tactical airlift side, we will receive sixteen additional C-130Hs to replace sixteen of our older C-130A models. The remaining 28 aircraft will average almost 30 years of age and are programmed to remain in the inventory until the early 1990s when they are to be replaced by C-141s and C-17s. This is a workable plan, but is obviously contingent upon timely procurement of the C-17. If the program is delayed, it will be very expensive, if not impossible, to maintain these 1950s technology C-130s. To preclude this from happening, I urge Congress to fully support the C-17 to eliminate existing airlift shortfalls and provide replacements for our A model C-130s.

Our fighter force increases from 216 to 228 aircraft in FY 1987. The increase is the result of activation of a new F-16 unit at Luke AFB, Arizona during the fourth quarter of FY 1987. This unit completes its build to 24 PAA in the first quarter of FY 88. The F-16 and A-10 help to keep the average age of our fighter/attack force down, but the F-4D still constitutes about one half of our force. As a result of DOD and Congressional initiatives and appropriation action in past years, we will be able to increase the combat capability of these forces with the installation of low smoke engines, offboresight AIM-9 missile capability, 10 mil bomb capability, and an inertial navigation system which gives these forces a tremendous increase in combat capability and survivability. However, as with the C-130 fleet, our continued modernization depends on the procurement rates of new aircraft. Any cutbacks in F-16 and F-15 procurement levels will dictate that some of our F-4D aircraft remain in our inventory even longer than the plan of FY 90. Our concern is that a gradual extension of force life does not allow proper lead time for required modifications to the F-4 and early model F-16 forces to keep them viable against the threat of the late mid to late 1990s. I urge Congress to support the goals and concepts of the Tactical Fighter Roadmap.

Our high level state of readiness can be attributed to our Military Technician program. Military Technicians (MTs), also referred to as Air Reserve Technicians (ARTs), perform a unique role in our total military force. They are full-time employees of the Air Force Reserve who provide day-to-day management of, and training support for, Selected Reserve units. As a condition of employment, MTs are required to meet both civil service and military hiring criteria and must maintain active Reserve status in the Selected Reserve. This dual aspect of civil service employee and active status reservist is designed to attract and retain highly-qualified individuals in the military technician program; to improve the mobilization readiness of Selected Reserve units by insuring continuity of service prior to, during, and after mobilization; and to guarantee the presence of these employees during an emergency.

Proposed changes to Section 8335 and 8336, Title 5 USC are still being coordinated within the administration. These changes will permit the separation of "status quo" technicians (who, through no fault of their own, have lost their military assignment) as soon as they become eligible for an immediate retirement annuity. A counterpart amendment to Title 10 was signed into law as part of the 1986 Authorization Act. It allows the Secretary of the Air Force to extend Reserve officer MTs to age 60, if necessary, so they remain as active military members until they reach Civil Service retirement eligibility. The proposed amendment to existing legislation in Title 5 will help provide a combat ready technician force and at the same time offer fair and equitable treatment to the technician regarding tenure in his/her civil service capacity.

The legislative proposal on the Reserve Officer Personnel Management Act (ROPMA) was forwarded to Congress on 11 Dec 85. Generally, we support this proposal. We would ask that Congress consider it as soon as possible, and, after resolving any issues, forward it to the President for signature.

In the area of combat support and mission support activities, there are over 500 Air Force Reserve support elements. Many of these units, as part of their training activities, make significant peacetime contributions which assist in keeping the peacetime expenditure of the Total Force to a minimum. The Air Force Reserve provides 64 percent of the USAF aeromedical evacuation units and 22 percent of the Air Forces' Tactical Hospitals and Clinics. Currently, Reservists contribute almost 60 percent of the aircraft battle damage repair capability with personnel in six Air Force Logistics Command gained Combat Logistics Support Squadrons. Also, the Air Force Reserve provides approximately 26 percent of the Air Force civil engineering force and equipment and 47 percent of the Aerial Port Squadrons. The majority of our combat support programmed manpower build from FY 1986 to FY 1987 is in the Civil Engineering and medical forces.

The Operation and Maintenance, Air Force Reserve appropriation provides for the day-to-day operating expenses of Reserve bases and units including the pay of civilian personnel, aviation and ground fuels, depot maintenance, real property maintenance, supplies and other expenses required to carry out the Reserve mission. This appropriation increases in FY 1987 by $72.9 million of which $12.2 million is price growth and $60.7 million is program growth. The requested program increases are the result of obtaining additional C-5 equipped and KC-10 associate aircraft, the F-16 unit conversion at Luke AFB Arizona, and the full year's operation of the C-141 aircraft conversion that occurs this year plus additional units and mission changes to enhance readiness and wartime capability. The increases in FY 1987 occur in C-5 Strategic Airlift ($12.8 million), KC-10 Tanker Cargo ($10.1 million), C-141 Strategic Airlift ($10.3 million), F-4 Tactical Fighters ($1.0 million), F-16 Tactical Fighters ($4.3 million) and Civil Engineer, Aerial Port, Aeromedical Evacuation and Medical Service Units ($2.2 million). Depot Maintenance program growth ($19.5 million) is related to the addition of more modern, sophisticated aircraft to the Air Force Reserve inventory and increased structural repairs on the F-4 and F-16 fleets. Increased base operating support and real property maintenance funding requirements support the more modern aircraft inventory and the continued expansion of the Air Force Reserve and the FY 1987 requirement to provide security for aircraft located on Air Force Reserve bases ($1.9 million).

In addition to our unit program, the Air Force has a successful program to provide trained Individual Mobilization Augmentees (IMAs) to active force units upon mobilization. IMAs are members of the Selected Reserve and are assigned to specific positions established in active force organizations and are trained and supervised by the active force. IMA requirements are identified by grade and skill as part of the annual wartime manpower planning process of the Air Force.

Reservists assigned to IMA positions are fully qualified in their Air Force specialities. As a result, these reservists in fields as diverse as medical, legal, research engineering, maintenance and intelligence are able to assist with the day-to-day mission of their organizations while they are on inactive duty and active duty training periods. For example, some of the physicians performing physical examinations or prescribing medication on a typical Air Force base are IMAs performing their monthly or annual training. As another example, IMAs in the intelligence field are producing standardized critical area intelligence summaries for postulated missions into selected countries. These summaries cover data on geography, population, weather, military capability, and lines of communication. In addition, intelligence IMAs support the Airborne Warning and Control System by deployment to Saudi Arabia.

We have attained 99% of our FY 1986 programmed strength of 11,876 IMAs in Pay Groups A, B and D. For FY 1987, we are requesting an IMA strength of 12,483. The total Air Force requirement for approximately 21,100 wartime IMA positions is indicative of the importance attached to this program. For the past few years, we have been working toward increased manning of these positions consistent with our ability to fund the program. Requests from the active force for IMAs to fill approved wartime manning positions always far exceed the funds available to do so.

I mentioned earlier the very favorable manning posture the Air Force Reserve has achieved and maintained. We started FY 1985 with 70,318 people and ended the year with an on-board strength of 75,214, a net increase of nearly 4,896 people. We have maintained the quality of our force as evidenced by the fact that 99 percent of all non-prior service enlistees were high school graduates or equivalent. Our unit commanders and supervisors at all levels continue to take an active recruiting role. With their enthusiasm and hard work, combined with the excellent performance of our recruiting force, and a continued command emphasis on retention, we fully expect to meet our FY 1986 programmed end strength.

As in the past years, the recruitment and retention of qualified personnel in critical skill areas continues to be difficult. It is in these areas that we concentrate our incentive program to better recognize the economic realities of recruiting and retaining highly skilled personnel. The programs authorized by Congress for this purpose will allow the USAFR to improve operational efficiency and have a positive effect on recruiting and retention. With these resources, we will be able to attract and retain personnel in the critical skills we require.

Now that I have discussed our requirements for the next year, let me briefly update you on what we were able to accomplish last year. The most impressive Air Force Reserve accomplishment in 1985 was being a triple award winner in the Air Force's competition—Military Airlift Command's Volant Rodeo (international Tactical Airdrop competition), Tactical Air Forces' Gunsmoke (worldwide gunnery competition) and Strategic Air Command's bombing and navigation competition.

Air Force Reserve strategic associate and tactical airlift units flew 135,359 flying hours in FY 1985, augmenting Military Airlift Command's global airlift mission. Nearly 249,865 tons of cargo and 522,672 people were airdropped or air-landed during these operations. Associate C-9 aeromedical evacuation crews with their MAC counterparts logged 16,437 flying hours airlifting more than 52,000 patients in the United States.

Supporting other MAC missions, the Reserve's weather reconnaissance squadron at Keesler AFB, Mississippi, flew nearly 4,100 hours conducting weather surveillance, including the tracking of seven major hurricanes and three tropical storms. While tracking Hurricane Danny along the Louisiana shoreline in August, a Reserve WC-130 crew from Keesler searched for and rescued seven people aboard a disabled sailboat in the Gulf of Mexico.

Among other missions flown to control harmful insects, our reservists at Rickenbacker ANG Base, Ohio, were tasked to use their spray-equipped UC-123K aircraft to combat grasshopper infestation that threatened crops in Idaho. The Department of Defense's only fixed wing aerial spray unit covered 735,000 acres during a 30-day period in June and July.

In California, a Reserve unit assisted the US Forest Service in an effort to contain out-of-control fires in the southern part of the state. Using modular airborne fire fighting systems, two C-130s dropped 1.4 million pounds of fire retardant while fighting the fires over a 15-day period.

Joining other international efforts, a Reserve C-5 crew from Travis AFB, California flew an emergency airlift mission in support of earthquake stricken Mexico City in September. The C-5 Galaxy and its 15-member crew flew from Travis to Norton AFB, California where three helicopters, six trucks and 27 members of the US Forest Service were picked up and flown to the Mexican capital.

In other humanitarian action, Reserve units on Volant Oak rotation to Howard AB, Panama, were tasked by the US Southern Command to assist in relief efforts in the aftermath of a volcano eruption in Colombia. In the first nine days following the disaster, the reservists delivered more than 96,645 pounds of fuel to the US Army aviation battalion in Colombia so it could continue to fly relief/support missions. Additionally, the C-130s flew in more than 106,000 pounds of tents, blankets, engine oil and a replacement aircraft engine for the Army battalion.

Reserve KC-10 associate and KC-135 crews logged more than 8,000 missions during FY 1985, in support of Strategic Air Command's worldwide aerial refueling mission, supplying fuel to more than 9,000 airborne receivers.

More than 48,000 flying hours in FY 1985 were recorded by Reserve fighter units taking part in various exercises and other training activities.

Reserve fighter units participated in 36 major exercises such as Red Flag, Green Flag and their Canadian equivalent Maple Flag, Volant Partner and Solid Shield. Twelve Reserve F-16s took part in Coronet Thud, a short-term tactical deployment which included elements of NATO in the exercise that was part of a larger program called Checkered Flag.

Throughout the year, Reserve aerial port squadrons continued to augment airlift support to Osan Air Base, Republic of Korea on a rotational basis.

A total of 75,000 reservists participated in various exercises during the year including C-130 missions to Alaska in support of Brim Frost intratheater airlift in the Pacific as part of Team Spirit.

The Air Force Reserve was the first command to receive the USAF Chief of Staff Special Achievement Award for outstanding flying safety accomplishments for two straight years. This was based on high standards of flying safety and mission accomplishments, with 137,500 hours in 11 types of aircraft.

The Air Force Outstanding Unit Award was presented to seven Reserve units in 1985.

The blend of teamwork found in the Reserve, the teamwork between our reservists, their families and civilian employers can never receive enough attention or gratitude. A reservist's family and employer make many sacrifices to help the reservist keep serving our country.

Short-notice orders, extended duty and countless other hardships and inconveniences have been generously supported by the families, the employers, and of course, the reservists themselves. We cannot take those sacrifices for granted, and I deeply appreciate the support the Congress has provided to these outstanding individuals.

In summary, while the war-fighting and capability role of the Air Force Reserve continues to be an important element within the Total Force, we will continue to modernize our equipment, refine and improve our mobilization procedures, and recruit, train and retain the people needed to assure we are able and ready to fight at any time. This committee has shown strong leadership in insuring the availability of readiness equipment for our Reserve Forces.

This concludes my statement, Mr. Chairman. I will be glad to respond to questions.

TABLE 1.—DEPARTMENT OF THE AIR FORCE, AIR FORCE RESERVE PERSONNEL

	Fiscal year 1985 (actual)		Fiscal year 1986		Fiscal year 1987		Fiscal year 1988	
	End	Average	End	Average	End	Average	End	Average
Flying Units	37,233	35,240	36,336	35,389	36,837	35,995	39,035	37,726
Mission support units	24,141	22,808	26,756	26,349	28,707	27,994	29,226	28,532
Individuals	11,682	11,600	11,876	11,591	12,483	12,000	13,158	12,516
Statutory tours	275	243	304	301	310	310	310	310

TABLE I.—DEPARTMENT OF THE AIR FORCE, AIR FORCE RESERVE PERSONNEL—Continued

	Fiscal year 1985 (actual)		Fiscal year 1986		Fiscal year 1987		Fiscal year 1988	
	End	Average	End	Average	End	Average	End	Average
Recruiters	295	297	331	328	366	359	374	374
Nonprior service enlisted program	1,208	1,041	1,425	1,270	1,425	1,270	1,425	1,270
Nonprior service enlisted personnel awaiting training with pay	380	248	372	372	372	372	372	372
Total Selected Reserve	75,214	71,477	77,400	75,600	80,500	78,300	83,900	81,100

TABLE II.—DEPARTMENT OF THE AIR FORCE, AIR FORCE RESERVE FORCE STRUCTURE, FLYING UNITS

	End of fiscal year		
	1985	1986	1987
Equipped units:			
C–5 strategic airlift	1	1	1
C–141 strategic airlift	0	1	1
C–130 tactical airlift[1]	15	14	14
Aerospace rescue and recovery	3	3	3
WC–130 air weather service	1	1	1
CH–E special operations force	1	1	0
AC–130 special operations force	1	1	1
KC–135 strategic refueling tanker	3	3	3
F–4 tactical fighter	5	5	5
F–16 tactical fighter	1	1	2
A–10 tactical fighter	5	5	5
Total equipped units	36	36	36
Associate units:			
C–141 strategic airlift	13	13	13
C–5 strategic airlift	4	4	4
C–9 aeromedical evacuation	1	1	1
KC–10A tanker cargo	2	3	3
Total associate units	20	21	21
Total units[2]	56	57	57

[1] Includes an aerial spray detachment of three UC–123K aircraft until fiscal year 1987 when the capability will be transferred to C-130 aircraft.

[2] These units also include over 250 support units such as Consolidated Aircraft Maintenance Squadrons, Weapons Systems Security Flights, Mobility Support Flights, et cetera.

TABLE III.—DEPARTMENT OF THE AIR FORCE, AIR FORCE RESERVE FORCE STRUCTURE, MISSION SUPPORT UNITS

	End of fiscal year		
	1985	1986	1987
Combat logistics support squadrons	6	6	6
Aeromedical evacuation units	21	21	21
Medical service units/contingency hospitals	18	18	19
Aerial port squadrons	66	67	68
Civil engineering squadrons/flight	46	53	57
Civil engineering squadrons (heavy repair)	1	1	1
Communications security squadrons	2	2	2
Basic military training squadron	1	1	1
Numbered air forces (Reserve)	3	3	3
Total	164	172	178

Mr. DANIEL. Thank you very much, gentlemen. I apologize for my tardiness, and join Mr. Hutto in extending to you a very cordial and warm welcome.

Mr. Hutto.

Mr. HUTTO. Yes, sir. General Gill, how long will your AC-130 gunships be logistically supportable?

General GILL. Well, those gunships, sir, are—some—one of those gunships is about the third C-130 that was ever built. It is over 30 years old right now. Due to the capability and the experience level of our maintenance people, we keep those airplanes in pretty good shape, but, corrosion and age is taking its toll. I cannot give you an exact figure as to how long those airplanes will remain supportable, but one of the things that bothers us very much is that they are not air refuelable as the active duty gunships are. So that also limits our ability to respond in a crisis. They are old airplanes, and as I say, some of them in that unit are over 30 years old.

Mr. HUTTO. When the UC-123K aerial spray detachment transitions to the C-130's, will they remain at their current location?

General GILL. Yes, sir. That is our intent right now. We have an experimental aircraft right now at Robins Air Force Base, GA, at the present time, and it is an interim solution until we can come up with an internal spray capability for the C-130. What we will be doing is putting external booms along the wings of an existing C-130, It only takes about 2 hours to install these. If it works, we will not have any bathtub effect or lack of spray capability while we are waiting for the internal spray capability that operates very much like the modular airborne firefighting system.

But, in answer to your question, yes, sir, we intend to keep that mission at Rickenbacker Air Force Base.

Mr. HUTTO. General Gill, on your second table, you show the deletion of your CH-3E special operations force unit, and this is presumably the 302d Special Operations Squadron. Is it still your intention to lose this capability in the Air Force?

General GILL. Yes. That was a decision that was made in Memorandum of Agreement, between the Chief of Staff of the Army, and the Chief of Staff of the Air Force, in which they agreed that short-range rotary wing special operations units would be a responsibility of the Army. The 302d is a one-of-a-kind unit within the Air Force, as a rotary wing special operation, and so that unit would have to go over to the Army. Because of this agreement, we are converting that Luke AFB, AZ, unit from helicopter operations to F-16 C's and D's. And, I checked just recently, a week ago in fact, as to how many people would be affected out there, and there is no one that will be displaced. Of course, the maintenance people will simply go from helicopter maintenance into F-16 maintenance. We did have some pilots who were rotary wing only, and we have made arrangements for them to either go to helicopter rescue units, or in some cases, if they are young enough and meet all the qualifications, we are sending them to fixed wing school.

Mr. HUTTO. Is the CH-3E long-range or short-range?

General GILL. Short range, sir.

Mr. DANIEL. Will the gentleman yield to me on that point?

Mr. HUTTO. Certainly.

Mr. DANIEL. General, wasn't that the most ready unit, this 302d?

General GILL. You mean across the whole spectrum of the Air Force Reserves?

Mr. DANIEL. Yes—the SOF.

General GILL. Yes, it was, sir. But, that is the only rotary wing SOF-unit that I have. I only have the 919th, which is a gunship unit there at Eglin, and that one helicopter unit.

Mr. DANIEL. You did not give it up without a fight, I hope.

General GILL. No, sir.

Mr. DANIEL. My understanding was that it was an agreement between DOD and Senator Goldwater, to just trade them that for some F-16's. Is that not the case?

General GILL. No, sir. I was going to lose that unit in any event, because it was part of the 35 agreements made between the Air Force and the Army on roles and missions. One agreement was that the short-range rotary wing special operations mission would go to the Army.

Mr. DANIEL. The short range?

General GILL. Yes, sir.

Mr. DANIEL. OK. Thank you, Mr. Hutto.

Mr. HUTTO. Thank you. What does it look like as to readiness impact on the Reserves due to the initial Gramm-Rudman sequestrations?

General GILL. Well, sir, as my friend, John Conaway stated, under Gramm-Rudman-Hollings, we will take a 4.9-percent cut in the Air Force Reserve, just as the Air National Guard and the Active Force will. I think the important thing to realize here is that when we do take 4.9 percent cuts across-the-board, that is, Active, Guard, and Reserve, then you are going to lose the ability to save money without losing combat capability, by transferring equipment from the Active Force into the Guard and Reserve. I think that is becoming evident as we work these problems.

Because, as the Active Force approaches John and I, under Gramm-Rudman cuts, and says we will put this program into the Guard and Reserve, we have to say, but wait a minute. We are taking a 4.9-percent cut. Unless we get some headroom on our side or some way to alleviate the rules, we cannot take the programs either.

Of course, another thing that hit the Air National Guard just as well as us, is the fact that we have only a few areas that we can cut in. I have my military personnel account; and in Operation and Maintenance [O&M], I have my civilian fulltime technicians that are necessary to run the program; and I have a very few straight civilians who are secretaries, et cetera, and help run some bases. And, then I have in the remainder of my O&M account, supplies, gas, and oil for flying time.

So, when you hunt for a 4.9-percent cut, you are forced immediately into exactly the same thing that General Conaway talked about; we are talking about somewhere in the neighborhood of a 5-percent cut in flying time for me to come up with those types of dollars. And, of course, we are already operating at a bare minimum on flying time now. But with Gramm-Rudman-Hollings, it gets you into a situation where you have no other place to go.

Mr. HUTTO. Well, I hope we can do better for you in the 1987 budget coming up, but that is the $64,000 question.

One final question, what has been your experience with the new GI bill's impact on your readiness?

General GILL. We are very pleased with what we can see from the early effects of the GI bill. We would like to have a little more experience so we can give you some more facts. But, right now, for instance, we have 50,000 people who are qualified to participate in the program. We have 3,000 that are already in the program now, or at least in the process of getting into the program.

We think it is going to be an excellent retention and also recruiting tool—I would like to point out though, that it is a broad spectrum recruiting tool—it helps across the board. I think we still need our targeted incentives, which are enlistment and reenlistment bonuses that allow me to target against a particular hard-to-fill skill. I think in the long run, the GI bill, with the fact that it increases our retention and lowers our requirement to have to recruit off the street, with all the training et cetera, that goes along with it, it will go a long ways toward paying for itself.

General CONAWAY. We have had the same success in the Air National Guard. We have about 6,000, using the GI bill at this time. The biggest benefit I find from the GI bill as we are being asked to increase our end strength, money permitting, is retention. Our retention is starting to take off.

That is a direct result of the GI bill.

We still need the bonuses to target critical skills, but the GI bill is going to be a great asset.

Mr. HUTTO. Well, I sure hope we can retain the GI bill. Thank you, Mr. Chairman.

Mr. DANIEL. Have you all made those strong views known to the administration?

General CONAWAY. Yes, sir.

Mr. DANIEL. It appears that they want—maybe want—they are not as enthusiastic about it, perhaps, as some of the others.

Mr. HUTTO. No, they want to repeal it.

General CONAWAY. Well, you know, they took our educational assistance program away, which was a $4,000 program. And this was supposed to supplant it. It would pay $1,000 a year for 4 years. And, that was very worthwhile. This GI bill is an even better retention tool for our people.

Mr. HUTTO. Well, not only that, but the serviceman contributes, too, and that, I think, is a worthwhile feature.

Mr. DANIEL. General Conaway, would you also address the question that Mr. Hutto asked, with respect to Gramm-Rudman, how it is going to affect your operation?

General CONAWAY. I certainly would, sir. As I mentioned right before you came, we reached an all-time high of readiness in the Air National Guard. We are at an apex right now, and we would like to stay there. This committee, and the Air Force had a lot to do with the readiness levels. The 4.9-percent cut that I have in Gramm-Rudman obviously hurts the smaller account more than it does a larger account.

The biggest hurt we have is in our O&M account in the Air National Guard. I am having to cut almost 20,000 flying hours between now and the end of the year from our flying hour program, which was fully funded when we got the bill in December. We only average about 120 hours per year per aircrew member. We and the Reserves fly at about half the activity level that the Active components fly. So, we now are going to have to take a 7- to 10-hour-per-aircrew cut, which is going to put us down into a——

Mr. DANIEL. That is not going to leave you very much.

General CONAWAY. It is going to put us in a dangerous area, as far as safety and readiness are concerned. So, we have taken about $17.2 million from fuel, we have taken money from depot maintenance, as we push some of the depot maintenance downstream, and we kick the can that will hurt us. Then we turn around and we save some spares money by reducing flying. But, we have $54 million left to cut in O&M which we have had to put out to the States; like Virginia will have a half a million to three-fourths of a million cut at Richmond. Florida, a half a million. And, the units are sitting down in a decentralized mode, as the Guard operates, with their financial boards to figure their cuts in O&M. What do we have left?—65 to 70 percent of their O&M account is for military technicians who wear the uniform as we do, but work day to day running that organization.

And, that hurts us. We have an appeal into DOD right now, Secretary Webb was here this morning and is helping us as is Air Force—we have an appeal in to obtain a technical adjustment to exempt military technician pay because the President, and I think the Congress' intent was, not to cut military personnel or the readiness of the military people in fiscal 1986. We will worry about 1987, I guess, later when you give us direction, as you represent the American people. Our military personnel account did not take a serious cut. It took a cut of $3.9 million in the Air Guard, but when I look at O&M, the military technicians, we may have to furlough—up to 2,000 or more military technicians, and they wear the uniform. Why are they taking a cut, while our drill status personnel and our AGR full-time personnel at the units, are not solely because they are in the military personnel account—while the military technicians are in the O&M account. So, we have said that we need a technical adjustment.

$700 million of the Air Guard's $1.8 billion O&M account is for military technicians. We cannot help it——

Mr. DANIEL. Say that, again, General.

General CONAWAY. $700 million of our $1.8 billion O&M account that you authorized us last year is for military technician pay. We cannot help it that they have to be funded in O&M and cannot be funded in the military personnel account. What we are saying is, exempt the $700 million for military technician pay out of the O&M, treat it like military personnel, and give us the 4.9-percent cut like the other major commands get on the $1.1 billion remaining. That would put $33 million on a technical adjustment back into the Air Guard account, and then our flying hour cuts and hurts would not be worse than maybe the Active components that are taking, basically, a 1-percent cut. Do you know what we are finding with the units out there, sir? We are finding that when we give the units their undistributed cuts, they are coming back and saying, the only way we can get there is by cutting technicians, putting lapses in, and cutting more flying hours.

Well, I do not want to cut any more flying hours. And, they say, we cannot balance the books.

So, we are caught in an evolution, and we do not have anything left to cut—85 percent of our O&M account is in direct flying support and technician pay.

Mr. DANIEL. Have you already made your 1986 cuts?

General CONAWAY. That is what we are working right now. You know, maybe if I had had this 4.9-percent cut, with the tight budget back in September, I could have managed. But, we were executing on or over schedule, through February; and the 4.9 percent is like 10 percent, because we have to do it in the last few months. So, our readiness is going to suffer. I am more concerned at this moment that safety will suffer. We are going to do everything we can—we have had 5 super years for the high degree of fighters that we have, a high percentage of our fighters are flying. We are going to do all we can. We are working it in the building. We think we deserve a technical adjustment, and we want to do what the American people desire with Gramm-Rudman as well.

Mr. DANIEL. Now, what is going to happen if the Supreme Court upholds the lower court decision, or they fail to uphold it, what are you going to do then about your across-the-board cuts, your percentage cuts, everything has to take an equal cut—are you able to set aside anything, or are you going to have to take it across the board like everybody else?

General CONAWAY. We have to take it across the board, our O&M account, our military personnel account, our equipment account, and our military construction account.

Mr. DANIEL. Well, what is the bottom line?

General CONAWAY. The bottom line is that readiness is going to suffer. We cannot stay at the level we are. We need the flexibility to do more reprogramming to maintain the readiness level that they want maintained. We are going to give them more, all we can for that dollar. Presently, if we have $10 million we want to reprogram, we can only put $5 million into an account. We can reprogram $10 million one time, but we can only put $5 million into one account, or put $5 million into each of two accounts. A $10 million reprogramming would help us, but that is not going to totally solve the Gramm-Rudman problem for us. We just will have to reduce readiness.

Mr. DANIEL. What is your view on the utility, a raise in the O&M reprogramming threshold?

General CONAWAY. Well, obviously, I am in favor of it. Right now, more than I ever have been, because I might have to look at slowing depot maintenance down more, which I hate to do. We are taking $17 million out of it for Gramm-Rudman already.

I would like to be able to put up to $10 million into one account to help us with flying hours or with military technician pay. So, $10 million could help us versus the $5 million that we presently have.

General GILL. That is one of the things, sir, on Gramm-Rudman, that is really going to be a problem. For instance, military construction. You have a project that is going to run about $1 million, and that is your estimate for it. You are allowed to still award the contract if it comes in at 120 percent. So if it comes in at

$1,200,000, you can still go ahead with it. Now, Gramm-Rudman takes a 5-percent cut right off the top of that. So, in other words, now, if it does not come in below $1,140,000 instead of $1,200,000, you cannot do any of the job. How are you going to do it? Do you leave the roof off, do you leave the plumbing out, do you—you really have a problem.

Mr. HUTTO. Mr. Chairman, will you yield?

Mr. DANIEL. Of course.

Mr. HUTTO. Certainly that is a tremendous problem. However, it had been my understanding, as a member of the Military Construction Subcommittee, that for the last several years we have had a real good bidding climate, so I was thinking that perhaps our cuts, the Gramm-Rudman cuts, on MilCon might not hurt as bad as some of the other cuts. Is that generally so?

General GILL. Well, sir, for the last 2 years, what you are saying is exactly true. Our bids have all been coming in a bit lower than what we estimated, so with 120 percent, you do not have any worries. But, that trend has stopped recently, and it has started back up in the construction business.

General CONAWAY. Last year was the first year that our bids came in averaging over 100 percent of the Government estimate. We averaged 102 percent of the Government estimate. Well, we were able to execute most of our program, but, we did not have any savings left to come back and ask you for reprogramming to do other projects. Thus far, this year, we are averaging almost 116 percent of the Government estimate on bid openings. So, the construction industry must be doing good, at least in the areas where we need projects. That, on top of the Gramm-Rudman cuts, is making the program difficult.

General GILL. And 89 percent of our military construction has to do with program changes, new equipment coming in, such as the C–5 unit equipped at Kelly Air Force Base. So, our construction projects go right along with new programs, and when you get into this catch-22, where you cannot do the building, you get in a box real quick.

General CONAWAY. You see, I have Jacksonville, FL, needing some additional facilities because of their F–16 conversion. We are working on some—others we are going to have to defer because of the bidding climate and the Gramm-Rudman cuts. In Mr. Darden's district, the unit was supposed to convert from F–4's to F–15's in the summer of 1987. The good news is that the Air Force moved it to the summer of 1986; the bad news is we are short of military construction funds to do things they want, and with the Gramm-Rudman cuts we cannot send all the people to school now that need to go this year.

So, we are sort of like the chicken and the egg.

Mr. DANIEL. Mr. Darden, if you have any questions as we go along, just chime in.

Mr. DARDEN. Thank you very much, Mr. Chairman. I yield, since the subject is Jacksonville.

Mr. DANIEL. First, I would like to ask General Conaway, if he would more elaborate on that, because that certainly was one of the areas of inquiry I hoped to get into as to where it stands, and especially under the Gramm-Rudman cuts.

General CONAWAY. Well, it is a dichotomy that units like Dobbins and Jacksonsville, that are converting to new airplanes this year, also got their $500,000 to $700,000 Gramm-Rudman cuts in addition to flying hour cuts.

We are trying to work that with the converting units, and we are trying to get some of the Air Force's help, particularly for the Georgia unit which was moved up a year. That is the good news; the bad news is we have to apply the cuts right when they need to go train. So, we are trying to work it as best we can with General Patterson and General Griffin in Georgia and with General Inslin in Florida. But, they are going to have some serious impacts unless I can get this technical adjustment that we are working in the O&M account.

General GILL. A good example, sir, is, on March 11, we will be opening bids on a simulator building at Luke Field. We have that estimated at $3,850,000, reduced by Gramm-Rudman that is going to be $3,675,000. So, now all of a sudden you are right in there where it cannot come in much over or you are in trouble.

Mr. HUTTO. Well, if some of the contractors see that they are overbuilding on the beaches there, maybe we will get some good bids.

General GILL. I hope so, sir.

Mr. HUTTO. Dr. West, did you have a question?

Dr. WEST. Just one thing. And, I think it is clarification. We are talking here about utilizing more reprogramming flexibility to offset the impact of Gramm-Rudman. I think the thing that is misunderstood is that in O&M as well as any of the other accounts, the intent is that no changes should be made that would alter the size of that cut at that level.

For example, if you took a cut in depot maintenance of the Air Force National Guard, no matter what you do, you are not supposed to end up with a higher dollar value in the account execution than the Gramm-Rudman reduction. So, the increased latitude in reprogramming is not going to solve that problem for you. I mean, it may solve a problem for you, but outside that scope. It looks to me like you do not have much flexibility.

General CONAWAY. No, we do not.

Dr. WEST. The Army tried earlier this year, to come up and ask for flexibility in the procurement accounts, as you are probably aware, where they tried to aggregate procurement like missiles, and things like that, so they did not have to take the cut in each line item. They were not able to do so. They were not able to do so, partly because I do not believe OMB would give them the latitude to do it, and second because the Appropriations Committee would not give them that kind of latitude.

So, the big problem we have here, is beyond the latitude you want with regard to reprogramming——

General CONAWAY. It is.

Dr. WEST. What you have got to do, is you have got to make sure that you can send the reprogramming up here that would allow you to increase the size of that account for execution above the number that you are given per Gramm-Rudman.

General CONAWAY. Right.

Mr. Daniel. General Conaway, have you gotten any GAO reports yet on the reengining or the replacement of the 131?

General Conaway. No, sir; I have not. We, and Air Force, are awaiting that report on the feasibility and cost effectiveness of doing any C-131's.

Mr. Daniel. Do you know what the status of it is?

General Conaway. No, I think——

Mr. Daniel. Have you had any report on when it might——

General Conaway. What I was going to say is I understand we should be receiving it within the next 30 to 60 days. In the meantime, we are retiring C-131's.

Mr. Daniel. Yes.

General Conaway. And replacing them with some C-130A's and C-12 type aircraft that are very effective for us in the States' operational mission support.

Mr. Daniel. Now, if we decide to buy the F-20 fighter, you are probably going to be the recipient of it. What are you going to do with it?

General Conaway. Well, the air defense competition that Congress directed is underway at this time. We are a full player in this. We will sit on the panels and the selection process. The Air Force has asked the Air National Guard to, because we will be the primary recipient of the winner of the Air Defense Competition. It basically will be a competition, between the F-20, which is a very good airplane and the F-16, which is also a good one. And, we understand there may be two or three others. It is a wide-open competition, sir, but it will go to our air defense units.

Mr. Daniel. For the record, I would like for you to expand on that for us. For example, the Saudi Arabian situation, you know, what happens, if we get into situations of that sort. So, expand on that for the record, for us.

General Conaway. I certainly will.

[The following information was received for the record:]

F-20 Competition

The aircraft that wins the Air Defense Competition will be used to replace four F-106 and seven F-4 squadrons, all in the Air National Guard. The current F-106 squadrons have an average age of 26 years and our seven F-4 squadrons have an average age of 20 years.

These eleven air defense squadrons will be used in the continental air defense mission area. They will maintain air sovereignty in peacetime and provide attack warning/attack assessment and active air defense in wartime, both under the operational control of CINCNORAD.

Mr. Daniel. OK. Mr. Darden, do you have any further questions?

Mr. Darden. Yes, I certainly do, Mr. Chairman. I appreciate the opportunity to question this panel a little more about a topic that I touched on this morning with the Army Reserve and Guard, and that is in the area of drug interdiction.

Would you tell us what role you are playing in drug interdiction, what role you possibly see that you can play in this area that is of such great concern to us, as Members of Congress, especially in Florida, Georgia, and those areas; which, again, you heard me say it probably this morning, but we consider this certainly a national security issue as much as any foreign troops coming in this direction, of the influx of illegal drugs that we are seeing.

General CONAWAY. Well, what the Air National Guard in a limited way has done has not been to the extent that the Army National Guard has done. When the Adjutant General of a State has wanted to use the Air National Guard as a byproduct of their training it has been involved in surveillance along the borders, Georgia has done this heavily with the Army National Guard, and they have done it primarily with the C-130 unit at Savannah.

It has been done on a limited basis in Florida, with some of their interceptors, but only coming to and from missions, when they pick up something and call it in. It is not their primary mission.

The Adjutant General of Arizona is very active and he has used some of his aircraft—again, Army Guard more than Air—to do surveillance. Hawaii Air Guard is very active. I was just out there. They have a C-130 which they use to help, but they use the helicopters of the Army Guard more. They are more interested in looking for the fields where it is being grown, and going down and destroying them. We are really waiting, and General Gill can speak for the Reserves, we are really awaiting the decision on who are the major role-player or players, and our involvement in drug interdiction. Whether it is the Air Force Reserve, the Air Guard, the Navy, or the Coast Guard, there are lots of people involved up to a certain point. We are awaiting guidance.

Mr. DARDEN. I certainly think that this can be a strong selling point to the public at large about the Guard and the Reserves and I, for one, certainly hope that the role is expanded considerably.

Thank you, Mr. Chairman.

Mr. DANIEL. Thank you, Mr. Darden. In that connection, what we would like to do is to invite both of you gentlemen to meet with us informally at the end of our hearings next week, to discuss this drug interdiction program.

General CONAWAY. OK.

Mr. DANIEL. Mr. Lunger.

Mr. LUNGER. Thank you, Mr. Chairman. I wanted to followup with General Gill on that question with regard to the 302d. General Gill, have you had an opportunity to engage in any contingency planning for possibly leaving the 302d in its current location? The basis for my question is that it is our understanding that the Forward Look Study that MAC has sent up to the Air Staff is going to aggregate all of the Air Rescue and SOF units into special operations wings. In other words, there is not going to be any deployment of air rescue and recovery service assets. They are all going to be SOF and do both of those missions.

And, I would suggest that if there had not been some mention, there had not been some official coordination of that with the Reserve component, you might be thinking in terms of—instead of losing that SOF training base and capability, with that being a very, very good SOF unit, that you might want to think in terms of looking ahead a couple of months when the active force officially changes its doctrine, such if there is a Reserve backup—and, Mr. Chairman, the reason I bring that up, sir, is that this is the type of aircraft that just pulled President Marcos and his entourage out at night, low level night-vision goggles, and there are some very experienced crews, and some very, very capable aircraft that is expensive to operate, but very capable aircraft, which are capable of air refueling and long-range operations.

General GILL. Mr. Lunger, I am aware that study is in the building. I have not seen that study. Our intention right now is to take those—there are six helicopters there, four of them plumbed with air refuelable capability, and assign them to composite rescue units. They have tankers, C-130's, plus they have refuelable helicopters. I have 10 helicopters, half of them are two-engines, half are one-engine, at Portland, with no tankers or anything else.

Then, I had a C-130 operation at March Air Force Base, CA; which was air-sea rescue, but did not have helicopters with it. Those C-130's are now going to undergo modification to be converted to tankers and put at Portland, and I was going to take the Luke helicopters and also put them at Portland so that I now would have three composite air rescue units: One at Homestead, FL, one at Selfridge, MI, and then this one. And they would all look alike. Now, if this forward look changes that in any way, we will certainly take a look at that.

Mr. LUNGER. The concern is, sir, that as that particular unit has suspended, essentially, for lack of a better term, suspended training, it suspended any meaningful operation as a unit. So, you have got the No. 1 combat ready unit, a SOF unit in the Air Force, as going from that status of readiness to almost nonexistent, and it is a capability that we desperately need to keep in the force-structure, and we may not have a way to recreate by the time it is—all of the decision is taken.

Thank you, Mr. Chairman.

Mr. DANIEL. Any other questions for our witnesses?

Mr. EASTMAN. Yes, sir.

Mr. DANIEL. Mr. Eastman.

Mr. EASTMAN. General, I have a follow-on question to a subject that we touched on this morning, and that is with regard to the expansion of certain privileges, specifically, commissary or exchange and so forth, expanding those privileges to members of the Reserve and Guard right now, beyond what they presently are. My question is, at what point do you think expanding those facilities is to almost match what the active duty have? At what point do you think that expansion of those privileges will almost become a disincentive for someone to stay on active duty?

In other words, if you had the same privileges as the reservists, why would you go on active duty? Do you think that is going to happen?

General GILL. No, sir, I do not. I think the commissary privileges and the BX privileges, the proposal that was looked at, and in the test that we both entered into, did not give any more privileges at all. It simply let you, instead of having to use your commissary privileges during your 14-day tour, it allowed you to use those 14 days any time during the year that you wanted to. That is all that it did. They asked us to do a test to see what impact on commissaries that would be, thinking it would be a huge impact. The test itself showed, and I have forgotten the exact number, but somewhere like 8 percent—utilized it. It had very little impact on the commissaries. So, in light of that, now we are told to test it further, but everywhere I go in the field, and I think General Conaway will agree with me, we are hit with "why, when the test went so well, and showed no impact, that you would not have to expand the facilities or do anything else, will they not, when we are not getting any new benefits, let us do this?"

When you talk to the individuals what you find out is it means very much to the person for whom it is convenient. They live close to a commissary, or where it is available. I, for instance, am on active duty right now, and I have Cameron Station very close to me. My wife probably uses it maybe four times a year, mainly because she shops in the local community and does not see that it makes that much difference.

Commissary privileges mean much more to you if you have got a large family or small children who consume milk, bread, canned goods, et cetera. All of our children are grown, it really does not mean that much. So I think it varies.

General CONAWAY. I do not think that we should get more privileges than we are entitled to. This is a very emotional issue with the enlisted personnel, the 100,000 we have in the Air National Guard. They do not want more than they are entitled to. They get 15 days a year annual training, and their families can use the commissary while they are on that 15-days annual training. They may be overseas in Europe or in Central America when that is taking place, but the test gave them an opportunity to use it a maximum of 14 times during that year. It was a very good compromise, and a very good incentive for the people, and yet did not add to the commissary burden that currently exists.

Although 8 percent used it, maybe a few more would do so the next time around. When they go on an active duty tour for over 72 hours to do something for the Air Force, which a lot of Guard and Reserve people do, they can use the commissary during that period of duty. I think it is a privilege that they can use, just like certain BX privileges they can use on certain bases. But not fulltime, sir, because they are not on fulltime duty.

General GILL. I might add to that. I did have an opportunity to talk to a commissary manager who was involved in the test in Texas. One of the things that he said was a byproduct of the test was that he often had problems with inventory control before, because the reservists had to buy at a certain time, and they tended to go in and load up, they would buy $300-$400 worth of commissary items at one time, whereas when they went under the test, and they could shop a day a month or when they wanted to, then they could shop much more selectively and did not tend to load up. He felt he had better inventory control because he did not have anybody taking large quantities of items out.

General CONAWAY. If I could make one other comment on that sir, I think the bigger issue is that we are all part of the same team today. Now, if we are all part of the same team, it can lead to the same identical benefits all the way around, and with traditional guardsmen and reservists, you cannot have that. But, our people need to feel that they are a part and a member of the team. And, in the Air Force we are a total partnership, a partnership that is working, and the way all three components operate. And, this is a perception to the people. They go around the world, we send them everywhere all the time, to train. They are gone, on mandatory rotations to Central America, to Europe, 5-minute air defense alert at 78 percent of the locations in the United States, and things like that. The Guard is involved as are the Reserves. And I think it is a perception problem that, hey, we did not all come over on the *Mayflower* together, but we sure are all in the same boat today.

Now, we cannot go for 365 days, but we should get that proportionate pro rata share. And, then they would feel like a part of the team.

Mr. **Daniel**. Well, thank you, very much, gentlemen. We deeply appreciate your attendance. And we will be in touch with you about the other——

General **Gill**. Thank you very much.

Mr. **Darden**. Mr. Chairman, just on the record——

Mr. **Daniel**. Yes.

Mr. **Darden** [continuing]. May I put some questions forth?

Mr. **Daniel**. Of course. Did you have any other questions so I may make note of them at this time?

Mr. **Darden**. I would just like to insert some questions in the record for General Gill.

Mr. **Daniel**. The record will remain open for any questions that any member desires to propound.

Mr. **Darden**. Thank you, Mr. Chairman.

Mr. **Daniel**. Thank you very much, gentlemen.

General **Gill**. Thank you.

General **Conaway**. Thank you.

STATEMENTS OF LT. GEN. LaVERN E. WEBER (RETIRED), EXECUTIVE DIRECTOR OF THE NATIONAL GUARD ASSOCIATION OF THE UNITED STATES; CAPT. PAT R. LUCCI (RETIRED), NATIONAL PRESIDENT OF THE NAVAL RESERVE ASSOCIATION; AND COL. C. JUDSON LIVELY, JR. (RETIRED), ACTING EXECUTIVE DIRECTOR, RESERVE OFFICERS ASSOCIATION OF THE UNITED STATES

Mr. **Daniel**. Our next witness is Lt. Gen. LaVerne Weber (retired), executive director of the National Guard Association of the United States, Capt. Pat Lucci, U.S. Navy (retired), president of the Naval Reserve Association of the United States, and Col. C. Judson Lively (retired), acting executive director, Reserve Officers Association of the United States. We are, indeed, pleased to have you gentlemen with us today, and I think perhaps it might be a good idea if we just take up where we left off.

As you know, the military benefits were under attack last year, they are going to be under attack still more this year. We already have some word from the Pentagon of what they are getting ready to do, they are getting ready to remove for the first time, a legally produced commodity from the commissaries. They are going to place these in the exchanges, which is going to raise the price. They think perhaps this is going to cut down on smoking. Our polls indicate that it does not, and what is going to happen is that the lower enlisted grades are going to be the ones who suffer.

We have taken the position that we are not concerned about smoking. That is none of our business. What we are concerned about is the start of an erosion and also the ability or the right of our service people to choose what they want to choose as long as it is legal. We have recommended, for example, that we put on an education program to try to reduce smoking, if we can. But, it is an insult. I think it is an insult to the intelligence of our young people to treat them this way, and I hope, and this will just be the first one, because they are already talking about removing red meat now. That will be the next one. Put chickens in in place of it—and I like chicken and red meat both. But, I think they ought to have a choice.

I would like each one of you, if you will, to address that before we get in to any other matters.

General Weber, why not start.

General WEBER. Of course, following on the discussion of this morning and this afternoon, in reference to the commissary, which kind of ties in with this, I would certainly subscribe to the comments that have been made earlier, that it is primarily an issue of equity, as we continue in the 16th year of total force. And, particularly so among our enlisted personnel.

But, looking at it across the board, this is obviously one of the incentives that have served the services well over the years, for the Active Forces. It is something that they have grown to expect, and it would be very painful in my view if those were lost. I think that in talking with commissary folks and individuals out in the field, it is my judgment that the commissary and the BX and PX as well, are heavily used by the retired community, and that is as it should be.

With 20 or 30 years in the active service, they have grown used to that on their hardship tours around the world it is something that they have grown accustomed to. We certainly would not advocate that the retired community lose those privileges.

But, across the board for all the services, this in my judgment is an entitlement, it is an incentive that is tried and proven, and one that we should stick with. And, I would certainly support the position of the chairman that it is not up to the military to dictate various habits and customs of our society.

Mr. DANIEL. Captain Lucci, we would appreciate hearing your views.

Captain LUCCI. I must also agree that, in my view, the commissary privilege is an elephant that is much more perceptive than substantive. In the Reserve community, most of our Reserve stations do not have commissaries. I am a former commanding officer at the largest Naval Air Station in the Naval Air Reserve. We had no commissary; the closest commissary was 42 miles away.

I had over 5,000 drilling reservists at that site of all types, Air Force, Army, Navy, Marine Corps, and Coast Guard. The commissary privilege for them was, although granted, as far as being executable in their proximate drillsite was nonexistent. However, it was a valuable incentive, because it increased their perception that they were, in fact, part of the total force. They were, in fact, being treated on an equitable basis.

I think from that perspective, the commissary test proved the validity of the subject that it is not going to be massively used by everybody to provide milk for every kid in their own neighborhood. Nor, is it going to add significantly to the infrastructure of the commissary system relative to new and larger buildings, more help, et cetera.

I think, for the gains thus achieved in the training avoidance, by an increased retention rate, particularly if we look from now through the early 1990's, where we in reality are going to have fewer and fewer people to choose from, I think it is money well spent. And, I would certainly support any continuation of the effort to institutionalize the test and get these people on firm ground.

As regards to your other question relative to using the military as an organ of social and/or medical reform, I do not think it belongs in that area. I can hardly envision someone sitting in a foxhole or somebody in a ship, not smoking or putting down a Lucky Strike, and this is no commercial, because it is not good to their health. We do have a gallow's sense of humor in the military, and I can remember sitting in a boardroom on a carrier in Vietnam and the sign on the blackboard said: "Happiness is dying of lung cancer." So, I guess all things are subjective.

But, the basic issue is that I do not think we should be using the military authority to exercise that type of social and medical reform.

Colonel LIVELY. Mr. Chairman, Colonel Lively, Reserve Officers Association, and I would support the thrust of the comments of my colleagues. Regarding the prohibition of certain·items in the commissary: OK they have identified cigarettes in this case—coffee is also thought by a lot of people to be hazardous to your health—breathing is probably hazardous to your health. I do not think decisions like that have any place if it is a legal commodity, and I am very concerned over the type of trend that can result if they are successful in denying the ability to sell one specific item within the commissary.

Mr. DANIEL. Test pilots are in a very hazardous occupation, too, aren't they?

Colonel LIVELY. Yes, sir; they are.

Mr. DANIEL. I do not believe we can do without them.

Colonel LIVELY. No; in fact, we pay them extra to do it.

Mr. DANIEL. And I—frankly, I do not care. I have never smoked a cigarette in my life, and I do not care whether anybody smokes or not, but I will defend their right to do it, if they want to.

As long as they can read those labels and they know what the risk is, it seems to me it is up to them.

Colonel LIVELY. Well, I agree with you that it will not stop—once that hole in the dam is permitted, it is going to expand. And, we need to fight it at this particular point.

On the larger question of the Reserve utilization of the commissaries, I do not think there is anything more frustrating than for an individual to be on a 2-week tour where he is living out in a foxhole or doing things that preclude him from being able to take advantage of these other opportunities in parts of military life, and then as soon as he gets back home, sorry, you know.

Mr. DANIEL. I understand. We have a whole pack of questions. We are going to go through these questions, and you all make any points you want to as we go along, and we will put your full statements in the record.

Mr. Hutto, why not pick up here, and let's go right on through these questions, and then if the gentlemen have anything additional that we do not get to, then we can talk about that.

Mr. HUTTO. Thank you, Mr. Chairman. General Weber, on the basis of last year's testimony, the subcommittee authorized $33 million for the Federal funding of maintenance and repair of State-owned/operated armories. How much is budgeted for this support in fiscal year 1987, and what are the funding projections through the current 5-year plan?

General WEBER. I believe, sir, that the record will show that the $33 million was reduced to about $6 million in 1986. To answer the question directly with respect to 1987, there is nothing in the budget, nothing has been requested, and I am advised by the Guard Bureau that the reason for that is the Army ran out of money, it did not make the cut.

The requirement is very real. What the Army Director would like this year, for 1987, is $25 million, to have about $8 million for roofs and boilers that require replacement, $2 million for the space that we talked about last year for the Federal employees, and $15 million for the operational cost associated with the Federal employees—the telephones, the electricity, and fuel.

But, there is nothing in the 1987 budget.

This is a program that the Army Guard desires, that should continue over an extended period of time. Up to this point in time, the Federal employees in our armories were few in numbers, in most instances only one or two, and it was not a big issue. Now, with the increased numbers, in excess of 80,000, most of whom work in the armories, it has become an expensive issue to the States. Therein lies the requirement for this kind of Federal support.

Mr. HUTTO. I am not much of a mathematician, but reducing $33 million by 4.9 percent does not come to 6, does it? That is not Gramm-Rudman, that was pre-Gramm-Rudman.

General WEBER. This is pre-Gramm-Rudman.

Mr. HUTTO. OK. Who reduced it then?

General WEBER. It was done here; it was done in the Congress.

Mr. HUTTO. Was that done by the Appropriations Committee?

Dr. WEST. No, sir; actually, it is a little hard to track. What happened is we originally authorized $33 million for this purpose. In the course of the conference, we got ourselves in a situation with the Army National Guard account and the scope of the two bills would not allow for us to put more than $6 million into that program.

However, we provided the language giving general authority to the Appropriations Committee to fund the full $33 million or whatever was necessary to carry out the program. When the Appropriations Committee acted, they provided the full $33 million. So, the full $33 million has been provided in 1986, and will be available for that purpose.

However, it looks as if this program is not carrying forward on its own, and perhaps we will have to consider whether or not the committee should look at authorized additional funding in 1987 for this work to the armories.

Mr. HUTTO. But, did you say it was reduced to $6 million, General?

General WEBER. That is the understanding in the Army Directorate. I appreciate this information. It is new information for us.

Mr. HUTTO. We would like to know.

General WEBER. We appreciate it.

Mr. HUTTO. Maybe we can find that $27 million somewhere.

General WEBER. Yes, sir; I hope so. We desperately need it.

Mr. HUTTO. In accordance with the Gramm-Rudman-Hollings amendment, the Army and Air Guard stand to lose roughly $150 million in O&M funding through sequestration that takes place in about 48 hours, something like that, or less. What kind of impact do you think it will have on National Guard readiness and operational capabilities?

General WEBER. With your permission, I would like to address the 4.9 percent first. You know, if the Army and Air National Guard were full participants on the front end and if they, in fact, got the degree of support that is rightfully theirs, with the missions that they have, then we would not quarrel with the 4.9 percent across the board. But, the fact that we go in with lesser amounts, and I recognize we do not do the R&D, and procurement, and a number of the other activities that the Active Forces do, but we do not go in with the same basis, start with the same start point as the active services, and therefore the 4.9 percent, in our judgment, does not represent equity.

Now, I believe General Conaway addressed this quite well when he stated that the hit for him is going to be something like 20,000 flying hours, and probably as many as 2,000 technicians, inasmuch as the savings must come from O&M. But, I think there is just no question that it will be extremely detrimental to the readiness of the Army and the Air National Guard if this should continue.

Mr. HUTTO. One more question for you, General Weber. In your prepared statement you mentioned the importance of the GI bill as an incentive for National Guard recruitment. In your personal opinion, what would happen if the GI bill were terminated, as the administration is recommending?

General WEBER. I think that going in, we must accept the fact that when the GI bill was passed and became law last year, the other education incentives in the Selected Reserve improvement program, as it was known, those incentives associated therewith, went off of the books, so all that we now have is the GI bill. And, it is quite appropriate. Maybe we will need some improvements, some fixes here and there on the bill, but it is absolutely essential. What, I believe, that General Walker surfaced this morning, is that of all of the participants in the program, across the board in Reserve Forces, 50 percent of the utilization is in—has been in the Army Guard, and 25 percent in the Air Guard. So, the Guard forces are utilizing now 75 percent of those spaces that have been used by the Reserve Forces.

Specifically, 50 percent of those eligible have taken advantage of the program. That is true in both the Army and the Air Guard.

Mr. HUTTO. OK. Thank you very much. Thank you, Mr. Chairman.

Mr. DANIEL. Colonel Lively, on page 21 of your statement, you mentioned efforts to privatize a wide range of Coast Guard activities. Specifically, what kind of privatization initiatives are you referring to, and what is the status of those efforts?

Colonel LIVELY. Such things as icebreaking, search and rescue, some of the cream things, navigation aid—as it currently stands, you can have a Coast Guardsman working on a buoy, bearing a navigation aid, and a ship is in distress a few miles away, you have to call—they chop the buoy and they go over. Our concern is that if we have two different companies, ABC handling buoy, and XYZ handling search and rescue, you are not going to have that crosswalk. You are going to lose capability, things like that, sir.

Mr. DANIEL. Thank you, Colonel Lively. Captain Lucci, there are two U-860 Blackhawks authorized and appropriated in 1985 in order to preserve special operations and combat rescue aircrews to develop the requirement for the remaining several squadron's worth of aircraft desperately needed by the fleet. Four more aircraft were provided in 1986. Can you shed some light on the Navy's failure to acquire these aircraft?

Captain LUCCI. Yes, sir; as you know, the Naval Reserve Association first shed light on this issue, and I hark back to the historical value of our association.

Mr. HUTTO. That is part of it, yes.

Captain LUCCI. And, perhaps, if you will allow me just for 1 or 2 minutes, to review the bidding; 2 years ago, we made an effort to replace the existing hardware in the Navy combat SAR and search and rescue squadrons. We were successful, with your support, in getting our $12 million and two aircraft authorized. The plan, at that point in time, from the Navy standpoint, was that they would take the banner up in the succeeding fiscal year, and carry on a full program.

As you recall, the basic motivation for this effort was the fact that the aircraft assigned to those two squadrons, which I might add are the only combat SAR-capable squadrons in the entire Navy forestructure, it is the only repository of that capability in the Navy—it happens to be in the Naval Reserve.

I moved that force capability to the Reserve when I was on active duty in the Pentagon. In the mid-1970's, I got some HH-1K's and some HH-3's from, basically, the Vietnam scrapheap, and initially outfitted the squadrons with those airplanes. Those same airplanes that I put in the squadrons are still there today. And that is the genesis of the problem.

Our efforts and endeavors in this area were focused on getting some safe, modern, capable, deployable, and survivable airframes into those squadrons on an interim basis until the system could replace those aircraft in toto, sometime in the mid- to late-1990's, with a development airplane, whether it be an upgraded superhelicopter or the B-22 Osprite. As I said, the first fiscal year, we got two airplanes, $12 million.

The second fiscal year, which was last year, 1986, the budget contained no official request for follow-on. We kept the banner going and were successful with your encouragement and support to get an initial $25 million and four airplanes. Obviously, sensibly, this was an off the shelf, initially UH-60. During the interim timeframe, however, internal studies in the Navy looked at the operational mode of these aircraft, and remember, traditionally now, we had two squadrons with two different missions in the Naval Reserve. One was pure combat SAR, and the other two squadrons were involved in the HOW mission, which was traditional Delta riverboat force support, with an adjunctive special operating force capability. OK?

The corps training to do this, as far as an aircrew was concerned, is relatively the same, map of the Earth, flying, et cetera. As a matter of fact, all of the Reserve crews go through that corps training of the Army or the Marine Corps.

OK. What has happened in the interim between 1986 and now is that the Navy has reviewed the operational environment of these airplanes, looked at the off-the-shelf model, and the only off-the-shelf model available was the basic Army UH-60 Blackhawk helicopter. They have made a study, I understand, that determines that there has to be some specific modifications to the off-the-shelf Blackhawk helicopter to make it suitable for operations from all the Navy-at-sea platforms, specifically, the smaller of the ships and that there is, in their perception, a clearance problem with some of the fixtures on the ships, sponsons, back half, relative to the tailwheel on the Blackhawk being in the aftposition and the requirement to move that tailwheel forward of the aftposition to get better clearance at sea.

The situation as it boils down to my understanding now, is that the specs for the combat SAR helicopter have been defined and thrown out for competitive evaluation and bid. This bid is to occur some time in the next 60 to 90 days. I have been told 30, but I spent 7 years in the building, so I will say, 60 to 90 days.

Mr. HUTTO. Very realistic.

Captain LUCCI. It appears that it will be a helo that meets all the platform launch requirements, that is, that with the tailwheel forward. And, if I can give you a subjective response, I would say that, honestly, I have some reservations relative to that design choice, because the impact that I get from people, when I talked to people, is that when you move the tailwheel forward, you sacrifice certain operational capabilities that are hypercritical in the special operation force missions. Specifically, you lose 30 to 40 percent and you pick your engineer and you can get your figure, sync-rate landing/slam down capability. In other words, as you move the tailwheel forward, you have to land softer or have a higher risk potential of breaking the boom off the tail and being disabled on the site.

Traditionally, it is going back now, the Navy has had the two squadrons with the two parallel missions. In the interim, because we were, at one point in time, thinking of one airplane/do a mission/same corps-type training, administratively it was decided to go to a two-squadron modem, same airplane/do a mission. Combat SAR which is, basically, what we all recall from World War II, Korea, and Vietnam, where we put the helicopter on the pickup ships and when somebody is in trouble, they bail out, and you can go up and get them. Or, you can have limited insertion over the beach, to get a pilot out of a high threat environment after he has bailed out.

This is a lot different from the special operating force mission, in my view, and maybe what we ought to do is examine the fact that while there is a lot of commonalty—if we are going to buy a whole new airplane, we may want to consider, to meet the optimum capability of both missions. I am a little bit hesitant about altering, if I can put the analogy in—softening the spear point to make the handle more accommodating—which is what I regard the lessening of the sync rate capabilities in a special operating force mission.

There is another problem in my view in this, and it is the cost. We are talking about an 18- to 24-unit buy. When we try to modify an airplane that is basically an ASW-designed airplane, by putting egress and entrance doors on both sides, et cetera, we do have an investment in some specific R&D that now has to be absorbed by an 18-unit buy. What that does to the unit price, I am not sure at this point in time.

I know there is no follow-on money in the 1987 budget submit again. It is my understanding that to outfit the off-the-shelf airplane, there is a requirement for another $23 million for six airplanes. That includes, basically, making them shipboard compatible: putting a rotor break on them, putting marinized engines in them that are more corrosion-resistant and so on. And, so in my point paper to you, I did not mention combat SAR, because I think at this point in time, it would be premature for me to make anything other than this type of discussion, until we get a handle on what the competitive bid looks like, and when we start talking specific airplanes that are chosen, and capabilities, we may, in fact, want to reexamine real Army design, tough, rugged vehicles for the special operation force mission, and ship/platform launch compatible, mainly battle group operational airplanes for the combat SAR mission, and go with both missions in two separate Reserve squadrons, or four if you want to split them between east and west coast.

It is kind of complex, and I am sorry I took that much time to explain it to you.

Mr. DANIEL. Mr. Lunger has a followup question, but before he asks it I want to make a statement. First, let me preface what I am going to say by this remark. I do not believe the sky is falling, I do not think this is going to be a Chicken Little year, but it is going to be the most challenging year that we have experienced in my opinion since 1964.

All three of you gentlemen are highly regarded. Every one of you have expertise, as do your associations have a very high standing in the community. We are going to need all the help we can get this year, and I would like to challenge each one of you to get your associates together and come forward with what you think we ought to do in the event that we do have to follow original Gramm-Rudman.

Should we attack the forestructure and, to use our phrase, keep ready that which we have. Or, what should we do? This is what all of us are going to be working on until this final decision is made, and we are going to need all the help we can get.

We will deeply appreciate any help you can give us. I regret that I have to leave. But, Mr. Hutto is going to remain, so we can get all the information in. But, we need your help. We want to challenge you to give us the benefit of your experience and your expertise—we dearly need it.

And, we are deeply grateful to you for your appearance here today, and we will continue with the questions, and such other information as you would like to provide.

Mr. **Lunger**. I wanted to follow on, because the chairman sent me up to the aircraft plant to walk down those lines between basically what the choice of the configuration of the aircraft are for the Navy—and, it appears that you have got two choices for the rescue and SOF aircraft for the Navy. One is that you can take a survivable airplane that the Seals or the downed aircrew get some benefit from, and you can put a folding tail-hook on it, so that 4 percent of those ships out there in the fleet that you cannot land on now, you can land on.

Or, you can take what is basically an antisubmarine configured airplane, with a weak floor and no survivability and one door that is a little hard to get in and out of, when somebody is popping caps at you, for the convenience of the Navy.

Now, I guess really what the question boils down to, sir, is in your judgment is the Navy going to do anything for downed aircrew or for its Seals in these contiguous missions or are we going to have to live with a not-invented here syndrome from the Navair folks, who want every helicopter in the U.S. Navy to look like every other helicopter because we all are going to float around offshore where we are not going to get shot at.

Captain **Lucci**. I share some of your observations, and I was hesitant to get into specific aircraft types, but basically, the choices that you have mentioned are the choices being discussed.

And, when I said, soften the spear point to make the handle easy and accommodating, that is exactly what I was referring to.

It is my understanding that while the competition relative to the tail-wheel-forward version vis-a-vis a basic ASW airplane, will involve rather major design and reengineering to solve the problem of the small door and the weak floor, and the single-side egress and access, and that is why I said I did not write a paper at this point in time because I wanted to take a look and see what the bird looked like in February or March.

Mr. **Lunger**. Excuse me just a second. Is this the same point of departure that we were at 4 years ago? Where the reservists who fly the mission, and who flew the mission in combat in Southeast Asia, came in and said, listen, if we are going to do a new generation of airplanes, let's do one that has in mind the mission that we are responsible for, as opposed to using what is handy for the Navy to issue to us.

Captain **Lucci**. My personal assessment is—precisely. We are back relatively to square 1, but I tend to be a very impatient person, and that is why I wanted the off-the-shelf to get them out of those ancient relics and to get them into something that is useful.

Mr. **Lunger**. I will tell you what would be very useful for this subcommittee, in order for us to make some recommendations to the Procurement Subcommittee, I would like to know who it is in the Navy hierarchy who has decided that what we are going to do is, we are going to spend another 5 years or 7 years to develop an airplane for this mission, when the only choices are on-the-shelf airplanes right now. And, it was the direction of not only this committee, but the Senate, and the Committees on Appropriation, that off-the-shelf aircraft be procured, be operated by the reservists, who have the mission in the forestructure, and who were to see what tweaking, if anything, was necessary on those off-the-shelf airplanes, and how it is that we have now gone, what is it, Mr. Chairman, 3 or 4 years from concept, and we are right back to exactly the same situation we were in 4 years ago.

Captain LUCCI. I agree, it is frustrating.

Mr. LUNGER. I would like to know where that is, in the Navy bureaucracy, that has managed to crank some 24-48 months delay in this, especially if we have somebody killed here, in the near future.

Captain LUCCI. I could not agree with you more.

Mr. HUTTO. Mr. Darden.

Mr. DARDEN. Thank you, Mr. Chairman. First of all, gentlemen, I want to reiterate what the chairman said earlier about the respective roles of the organization and commend you and your organization for being here today and for continuing to play a very important role, I think, in helping us shape defense policy in this country. I believe that the literally thousands of years of experience that your organizations collectively bring to us, can be most helpful and we appreciate your advice and counsel.

General Weber, earlier in your statement you argued very forcefully against reducing the active force structure at all and transferring those missions to the National Guard, without adequate resources and manpower.

Let's assume though, however, that some pressures will force us to reduce the active force structure due to the high outlay rates in military personnel accounts. Now, if this becomes inevitable, what kind of actions would make the resulting transfer of additional missions to the National Guard acceptable to the associations?

General WEBER. I believe, sir, that history will answer that question. For years and years in the Army Guard and the Air Guard as well, we have been equipped with less than the authorized equipment and far less than the equipment that was necessary to accomplish the combat mission.

So, the obvious answer is that the readiness of the Army and Air Guard units will be further lowered. We are sensitive to this. We have some units out there now that are very poorly equipped, and we would prefer not to have additional units that would have to show this low degree of readiness. And, I think that we can all make reference to the recent month's CBO report which dealt with the issue of readiness, that criticized the Guard and the Reserve on the basis that we had received millions of dollars' worth of new equipment, and yet we showed no improvement in readiness.

I submit that the readiness reporting system is the major culprit as we look to readiness. Each of you gentlemen on the subcommittee today have commented with respect to the improved capabilities of the Guard and Reserve units that you have visited, and the reports that you read. So, there is, indeed, increased readiness, and we cannot stand the publicity that says that all our units are C-4 and we are not prepared to go into combat and we cannot perform the missions that the Army and Air Force ask us to accomplish.

Mr. DARDEN. Well, I think your point is well taken.

General **Weber**. If you ask us to do it, I think we all just have to accept the fact that we are going to have, continue to have C-4 units, or maybe even C-5 units, that are to the degree that they do not have sufficient equipment to even be given readiness report ratings.

Mr. **Darden**. I think your point is well taken. And, as an example, Mr. Chairman, I believe you heard General Conaway say earlier that we would be replacing an F-4 unit with F-15's at Dobins Air Force Base. Well, obviously, with this additional capability of F-15's over F-4's, certainly you are going to be more prepared to fight a war, but in terms of readiness as far as reporting goes, you are going to suffer somewhat by the standards that are set forth, because this will be the first year that the unit is in operation.

So, while we are able to carry out the mission better, because of the new equipment, the rating system probably would show that we are not, do not have the same readiness, that we had.

I think the point is well taken there.

The next issue I would like to bring up is something I have been talking about early today, and I would like to ask all of you this, individually, gentlemen. Have your respective organizations adopted a position regarding an increased role in drug interdiction by the Guard and Reserve forces, and if not, I would appreciate your favorable consideration of a strong stance in favor of helping the U.S. Government meet the national security threat imposed by the smuggling of illegal drugs into this country.

General **Weber**. I would comment on that inasmuch as I was in the Guard Bureau at the time that the efforts were undertaken in Hawaii. That was discussed earlier today, both by General Walker and General Conaway. That was a very important mission and a very successful mission, and I want to reemphasize that the role of the Guard was that of flying the law enforcement folks into the area to locate the patches of marijuana in the sugarcane fields, and then to take the agents in. That was the conclusion of the role of the Guard.

I was, likewise, in the Guard Bureau, and then later in Forces Command when the State of Georgia expanded on that capability.

I think that we have, indeed, a real capability there, and I think we have to be certain that we have a legal basis to permit our Guard people to perform that mission. I think it is particularly true in our flying units. Our flying units are very ready units, on an MOS and AFSC basis. The pilots know how to fly the airplane, know how to maintain them, and that has been attested to today. But, in the course of their flying exercises, with the proper legal authority to do it, they can accomplish some of the observation role—in the course of flying across country, whatever their mission happens to be.

When they are in the air, they can do this as a side benefit.

Mr. **Darden**. Well, of course, the Congress, I think, can provide that proper legal capability with a minimum amount of problems.

General **Weber**. I believe that, legally, to the point that we have been permitted to go so far, that we do have legal sufficiency there, at this time, but if we were directed to expand beyond that, we need the authority to do so.

Mr. DARDEN. Let me point one more thing out, too, and I said this earlier this morning, but, I believe that if the National Guard or Reserve Forces became involved in this effort even more so, and more aggressively, this would certainly enhance public support across the board and throughout the population for the Guard and Reserve functions, and I hope that you will strongly consider taking a position on that matter.

Mr. Lunger.

Mr. LUNGER. Let me augment what Mr. Darden is saying, please, Mr. Chairman?

Mr. HUTTO. Mr. Lunger, yes.

Mr. LUNGER. We were very careful in the crafting of the language in title 10, United States Code, stemming from last year's Defense authorization, to stipulate that the command, control and coordination element for the military Reserve component to support the drug interdiction be vested in the Reserve. We did that with the clear intent on both our Members and the Senators in conference that the National Guard be freed from some of the overt restrictions placed on the reservists, reservists being federalized by their very nature. The idea being that whatever kind of headquarters element would either directly have operational control over specific assets or provide an Active Reserve headquarters coordination function for other Reserve component units—that is a 24-hour-a-day, 365-day mission—that would preclude reservists operating in that particular part of the mission without their being federalized. In the event they are federalized, then they are subject to all of the restrictions of posse commitatus.

If they are not federalized, and they may be under the command and control under the State adjutant general from the Governor, they may be deputized to do exactly what you are saying, sir, and there are other matters that they can become involved in that the Federal personnel cannot.

For instance, hot pursuit. As, just a matter of executive fiat between adjoining Governors, adjoining States Governors. The guardsmen from one State or the other can be empowered to cross those State boundaries in the aircraft, or whatever other vehicle, to maintain pursuit.

There are some real problems with regard to Federal personnel, and how all that may be done, so it was very carefully thought about, and what we are seeking to do in conjunction with the Appropriations and Government Operations Committees at this point, is to get the State adjutants general, from those States that are most directly affected by this effort, up here in the near future to give us their informal advice as to how they may best provide support to this, and how we can help them.

So, anything that the associations can do to get the word out for us, as Mr. Darden points out, would just be priceless, because this is something that is a severe problem, and there is very, very strong support among the members.

General WEBER. We will be happy to do that, Mr. Lunger, and let me remind you, and I know you are aware of this, that the cross-State boundaries is not an issue because many of the States, in fact most States, during the period of disorder that we had in the 1960's, entered into agreements that they could, in fact, cross State lines, they were most essential in those city areas, and I will use St. Louis as an example, or Kansas City, all of those locations where there is a city on either side of a river that also happens to be a State boundary line. They presented some obstacles in dealing with civil disturbance and some of the other problems that guardsmen had to deal with back in the 1960's. Today, that is no barrier. I am saying it can be done. We will be happy to put together a group of adjutants general to review this issue, and we will do that through the Adjutants General Association in coordination with the Guard Bureau.

Mr. HUTTO. Captain Lucci, did you have a comment on that?

Captain LUCCI. Yes, sir. Our Naval Reserve P-3 airplanes have played a significant role in at-sea surveillance, and I would only comment to you that that—traditionally the funding for that has come out of the Naval Reserve O&M,N fund. So we are going to have an impact when Gramm-Rudman-Hollings gets to them this year, for $43.8 million out of O&M,N,R, remembering that we also have 44 weeks a year commitment to position our Reserve crews over Soviet submarines at sea.

And, so we are in a basic competitive business. If there can be some way to throughput or fence or somehow get some money, I am sure the level of participation could be maintained, but it is basically in jeopardy as I see it with that type of Gramm-Rudman-Hollings cut.

Mr. Hutto. Colonel Lively, did you have any comment on that?

Colonel LIVELY. Well, sir, as you know, the Coast Guard is one of the elements of the Reserve Officers Association, and they do have a direct role in this capacity. And, I would like to use that as a springboard to just—as you know, the Coast Guard basically is under Transportation. However, the Armed Services Committee does have responsibility in the reserve aspect of the Coast Guard manning, and I would like to recommend that you all consider having the Commandant of the Coast Guard as one of your witnesses annually. They are in a real box under the Department of Transportation.

Mr. HUTTO. Yes.

Colonel LIVELY. They take hits that you do not permit the armed services to take, and there might be value to have them.

Mr. HUTTO. You are exactly right. In this fiscal year, you might recall that we did provide some DOD funding for the Coast Guard, providing, I believe, for 500 personnel, who would have arrest capability to sail on Navy ships in high traffic drug lanes; so, yes, you are exactly right. They do have a tremendous funding problem. I am on the Coast Guard Subcommittee on Merchant Marine and Fisheries, and it is amazing how the proposals have come forward on cutting Coast Guard or not funding them properly.

Mr. Ray, do you have some questions?

Mr. RAY. Mr. Chairman, I would just like to say I apologize for not being able to be here. We seem to have three subcommittee meetings running simultaneously today, and I regret very much that I missed the testimony, but I do have it here, and I will read it.

And, I appreciate all you gentlemen coming to testify before us, to give us your views on this very important matter.

This may not be the appropriate time to ask, General Weber, but increasingly I have contacts from the civilian technicians about a source of contention they have with the Guard. Are you familiar with what I am talking about?

General **Weber**. We have several of those, sir. If you will identify the one, I will attempt to address it. Is that the uniform issue?

Mr. Ray. Yes, well that issue, and the other issue is that they resent very much that Governors of the States generally, through the adjutant general, appoint some person who has not even been in their unit, above them, and, I believe, I do not remember the exact legislation, but there is some legislation pending which would correct that, according to them, inequity.

And, I know that I am going to have to be meeting with the adjutant general some time soon, and I wondered if you are familiar with it.

General **Weber**. Yes, sir, I am, and with your indulgence it will probably take a minute to answer your question.

Mr. **Ray**. Mr. Chairman, do we have time?

Mr. **Hutto**. Sure.

General **Weber**. We all recall that in 1968, when the National Guard Technician Act became law, effective January 1, 1969, that our technicians became Federal employees initially, only for the purpose of the Federal retirement system. The language of the law and the history of the legislation, as well, emphasized repeatedly that these are military technicians, that they have the label of excepted technicians, and that as an excepted technician, the individual is first a member of the National Guard and a technician secondly. And, when that individual loses his or her status as a National Guard person, they likewise lose their technician status. That is a matter of law.

I emphasize the label, military technician, because they are truly military, and intended to be military, to wear the uniform prescribed, and to live with all of those conditions that military folks live with. Now, having said that, we had enough problems with that program until the introduction of what we refer to as the Active Guard and Reserve Program, or AGR, wherein we bring guardsmen and reservists on active duty at the duty stations where the National Guard units are located.

To tie this active duty military family, administered under an altogether different program, with the technician workforce did create some inequities. Let me hasten to add that no directed actions have been taken to force individuals to move from technician to AGR, with the exception that when AGR was authorized, the Congress directed that our Air National Guard training sites would be converted from technician to AGR. These individuals were very few in number. As memory serves me, it was something, fewer than 300.

But, the technician program, managed almost entirely under civil service laws and rules, combined with the AGR Program, which is under Army and Air Force Military Personnel Policy, causes frictions to arise. And, I think, for the most part the system that we have is equitable and as fair as we probably can make it. Someone has to make the hard decision, and in our system, the manager of the program in the State is the adjutant general. It does not matter if we are talking about the Reserve Officer Personnel Act or what it is, when the decision is made, there is someone who is not going to like that particular decision. Someone is going to get hurt.

Mr. **Ray**. I think they have an organization of about 50,000 people in the United States, is that right? Technicians?

General **Weber**. It is short of that, about 45,000 now.

Mr. **Ray**. I see.

General **Weber**. But, that is both Army and Air.

Mr. **Ray**. What is the, and I am sorry, I am not familiar with it, it is in my office, but the legislation which has been introduced on behalf of them to correct their inequities as they see it—are you familiar with that?

General **Weber**. I am familiar with the two pieces of proposed legislation. I am not familiar with the details of each of those.

Mr. **Ray**. Thank you, I appreciate that information.

General **Weber**. We would be happy to work with you, Mr. Ray, on this as we go down the road on it.

Mr. **Ray**. I probably would like to have you and somebody over to talk to me about it.

General **Weber**. We surely will.

Mr. **Ray**. Thank you, Mr. Chairman.

Mr. **Hutto**. Thank you, Mr. Ray. And, General Weber, Captain Lucci, Colonel Lively—we appreciate very much your being with us today. Thank you for your testimony.

General **Weber**. Thank you.

[Statements of General Weber, Colonel Lively, and Captain Lucci follow:]

PREPARED STATEMENT OF LT. GEN. LAVERN E. WEBER

TESTIMONY BEFORE THE SUBCOMMITTEE ON READINESS
HOUSE COMMITTEE ON ARMED SERVICES

27 February 1986

Mr. Chairman, and members of the subcommittee, I sincerely appreciate this opportunity to appear before you today to present the views of the National Guard Association of the United States on the readiness requirements of the Army and Air National Guard.

THE ROLE OF THE NATIONAL GUARD

This year, the National Guard commemorates 350 years of service to the community and the nation. From the first organized militia units in the Massachusetts Bay Colony in 1636 until today, the National Guard has played an important role in the preservation of the freedom of this republic. A call to duty of the National Guard has historically signified the nation's willingness to undertake the sacrifices necessary to protect that freedom.

The Guard's historical role in defense of our nation was formally recognized with the initiation of the Total Force Policy in 1970. Today, the Guard is counted upon as a full partner in the Total Force. Current national strategy has Army National Guard and Air National Guard units "on the line" alongside active counterparts in a matter of days after mobilization.

The Total Force Policy has resulted in an increased reliance on National Guard and Reserve forces. Army and Air National Guard units are tasked in war plans developed in response to defense strategy directed by our national command authorities. This nation absolutely requires a well-equipped and well-trained National Guard if it is to be fully capable of fighting and winning any future conflict.

In order for the National Guard to meet all of its wartime deployment objectives, it must be manned, equipped, trained and properly led. Transportation assets needed for overseas deployment of the Total Force must be available. If any of these requirements are neglected, the wartime capability and reliability of the Total Force will suffer. Increased personnel manning, an influx of new equipment, and intensified training demands are all the consequence of increased readiness requirements placed on National Guard units.

As we stated last year, the National Guard Association does not recommend any reduction of the Active Army and Air Force. We believe both forces are currently smaller than needed to meet the threat to our nation, and we fully support the resources requested in the President's FY87 Budget to man, equip and operate the Army and Air Force.

The NGAUS also continues to recommend that the force structure for the Army and Air National Guard should not be expanded unless the current National Guard force is programmed to be fully resourced with required manpower and modern, deployable equipment.

The readiness of all of our military forces is seriously threatened by the current overwhelming Soviet advantage in chemical warfare. Although the ability of National Guard units to survive and operate in a chemical environment has improved in recent years, those units would only function at 60 per-percent or less of full wartime capacity in such an environment. Only a national effort to obtain a modernized, safe chemical retaliatory capacity is likely to deter use of chemical weapons and promote an effective chemical weapon ban. We urge full funding and start-up of production of binary chemical munitions.

The specific proposals of the National Guard Association for FY87, to ensure the readiness of the National Guard to meet its deployment objectives, are outlined below.

SELECTED RESERVE MANPOWER

Although equipment, training, and facilities are essential, the most important factor in Army and Air Guard readiness is the ability to recruit and retain the required number of qualified personnel. This will become a more difficult task as the manpower pool of the nation continues to diminish, and could be further impacted by any reduction in popularity of military service among our service-aged population.

At the end of FY85, the ARNG had attained a strength of approximately 440,000 and the ANG had achieved an end strength of more than 109,000. With programmed growth of over 22,000 in the Army Guard and almost 6,000 in the Air

Guard by the end of FY87, and continued growth programmed through FY90, the effectiveness of recruiting and retention efforts remains critical.

The New G.I. Bill Educational Assistance Program for the Selected Reserve, which began on 1 July 1985, has already proven to be a valuable incentive for across-the-board recruitment and retention. The National Guard Association strongly supports continuation of the New G.I. Bill and urges that the program be expanded to cover educational options, including high tech training, and be made permanent as quickly as the test results support such action. Any attempt to eliminate this extremely effective new incentive would have a drastic negative Guard and Reserve recruiting impact, in the opinion of the National Guard Association.

The current Selected Reserve Incentive Program has also been very effective in providing targeted incentives to recruit and retain personnel with critical skills or who are found in specified high priority units. As with the G.I. Bill, authorization for enlistment and reenlistment bonuses should be made permanent entitlement programs in law, rather than be dependent on periodic approval of authority and annual appropriation of funds.

Due to the critical shortage of health care professionals and its potential impact on the initial warfighting capability of the Total Force, the National Guard Association also fully supports immediate approval of the Selected Reserve Health Professionals Incentive Act, (H.R. 1498), to improve recruiting and retention in this area. The programmed growth of medical units in the National Guard and Reserves will be difficult to attain without the added incentive of accession bonuses and continuation pay.

FULL-TIME SUPPORT

In addition to the Selected Reserve manpower requirements of the Army and Air National Guard, there is a growing requirement for full-time support personnel, who are essential to the production of combat readiness. These personnel perform those day-to-day functions which must be accomplished if a unit is to be effective during peacetime; i.e., personnel administration, supply accounting, and maintenance of equipment and support facilities which are essential to the training of Guard personnel. If a unit is to make maximum utilization of its limited training time, full-time personnel must be available to plan for, support, and participate in unit training sessions.

The Army and Air National Guard have a mix of technician and Active Guard/Reserve (AGR) personnel. While the proper mix and comparative cost effectiveness of the two categories continues to be reviewed, there is a recognized requirement for additional full-time personnel. The following table reflects the shortage of full-time unit support personnel that will exist in the Army and Air National Guard at the end of FY87:

	ARNG	ANG
DoD Validated Requirement	65,863	32,959
Authorized Military Technicians	27,129	23,282
Authorized AGR	28,721	7,763
Shortage	10,013	1,914

Last year, the Congress reduced the Army National Guard full-time personnel authorization from the FY86 President's Budget request. In view of the essential requirement for full-time support, and the current shortage in meeting that requirement, the National Guard Association urges the Congress to authorize and fully fund the full-time manpower requests contained in the Army and Air National Guard budgets for FY87.

RETIREMENT

The justifiable concern of the large budget deficit has caused much attention to be focused on the cost of the military retirement system. However, we believe the current system is one of the most effective incentives for retaining highly-qualified military members who have been trained at great expense and whose most productive years would be forfeited if they left at mid-career. The National Guard Association supports the retention of the current military retirement system and believes that it is absolutely essential to preserve the current linkage between the Active and Reserve military retirement systems.

The existing Guard/Reserve retirement plan is a minimum requirement for maintenance of a stable Guard force. We believe the present system should be improved by allowing members of the Selected Reserve to be credited with all earned retirement points. Enactment of legislation to eliminate the existing 60-point ceiling would encourage members to participate in unit training assemblies over and above the number which they are now required to attend.

Many military technicians are separated from the National Guard at an age earlier than the age 60 military retirement eligibility date by actions of retention boards and the attritive provisions of the Reserve Officers Personnel Act. Additionally, many technicians must possess military skills which demand physical strength, coordination and stamina to the extent that members older than age 55 may have difficulty in meeting the continued phsyical demands of their military skills.

While Guard military technicians are subject to the provisions of the Civil Service retirement system, their technician career is dependent on continued membership in the Selected Reserve. Termination of such membership results in forced termination of their technician employment.

The current actions in revising the Civil Service retirement system could result in a significant reduction in annuity from the date of retirement until receipt of Social Security at age 62. The National Guard Association strongly urges enactment of legislation to retain the current age and years of service requirements for both optional and discontinued service retirement for all National Guard military technicians, and the payment of a supplemental annuity from the date of retirement until receipt of Social Security.

FAMILY AND EMPLOYER SUPPORT

In many instances, the greatest impact on the ability to recruit and retain an individual in the Selected Reserve is the support, or lack of support, given by the immediate family and the full-time employer of the prospective member or members.

Many legislative improvements have been made in recent years designed to encourage family support. The expansion of medical care to cover members for illness or disease incurred during inactive duty training and the provision of medical and space-available dental care for surviving dependents of members who die in any type of duty status are two examples.

However, several inequities continue as irritants which could be corrected at little cost. The National Guard Association supports legislation which would provide limited commissary and exchange privileges to active members of the Selected Reserve and their families, and to extend those privileges to members who are otherwise eligible for retirement pay, but have not yet reached age 60. We believe each of these benefits will be perceived as an incentive for continued family support of Guard members.

With the increased reliance on the Guard and Reserve as full partners in the Total Force, it is essential that every effort be made to ensure employer support of membership in the National Guard and Reserve. Such efforts should include legislation that would prohibit discrimination in hiring and would provide an incentive in the form of tax relief for private sector employers of Guard and Reserve members. The National Guard Association supports H.R. 1495, which prohibits discrimination against the hiring of persons who belong to the Guard and Reserve. This bill is essential if Selected Reserve membership is to be maintained or increased over current levels.

EQUIPMENT REQUIREMENTS

The most urgent Army and Air National Guard requirements are addressed in brief in the following paragraphs:

ARNG Air Defense Weapons Systems

There are no deployable air defense weapons assigned to six of the eight existing Army National Guard divisional air defense battalions. Currently, two of those battalions have been partially equipped with Chaparral missile systems.

As part of the FY86 Defense Budget, the Congress authorized and funded procurement of 24 additional Chaparral air defense missile systems for the Army National Guard. The Army Guard air defense program needs additional Chaparral missile systems to overcome its shortage of deployable weapons.

We understand that the Army is reviewing the capabilities of at least four existing off-the-shelf forward area air defense systems for possible procurement to replace the cancelled SGT YORK division air defense gun. When decisions on procurement of a replacement system are made, it is vital that the Army National Guard forward air defense requirements are included in that programmed procurement in order to fully modernize units currently equipped with non-deployable Duster air defense gun systems.

The M-113 Family of Vehicles

The M-113 Family of Vehicles includes several types of combat vehicles, all derived from the M-113 armored personnel carrier. Army National Guard requirements for all types of M-113 family of vehicles, to include M-113 armored personnel carriers, M-901 Improved TOW Vehicles, M-577 command post carriers, and M-981 FIST-V fire support team vehicles, total 3,500 vehicles. There is a Total Army shortage of about 7,000 vehicles in the Active Army and the Army National Guard. Consideration should be given to continuing production of the M-113 family of vehicles until all shortages have been overcome. The National Guard Association urges that a program be established to fill Army National Guard M-113 family of vehicle requirements over the next several years, and, in particular, to fill the shortages of 1,484 armored personnel carriers, 1,140 improved TOW vehicles, 445 command post carriers and 452 fire support team vehicles.

Simulators/Training Devices

The Army Guard and Army Reserve provide almost 50 percent of the wartime strength for the Total Army, yet their training time, training facilities and equipment are limited. Simulators and training devices are of tremendous value to Guardsmen and Reservists in helping to overcome those limitations. Current Army simulators and training devices are designed for use at major training centers with maximum utilization by large groups of soldiers. In the FY86 Budget, the Congress authorized $5 million to fund research and development of training devices and simulators developed specifically for Guard and Reserve home station training. In addition $50 million was provided for off-the-shelf purchase of currently available training devices and simulators for use by the Army National Guard. Low cost simulators and training devices suitable for use in the armories and training centers of the Guard and Reserve are urgently required to maximize the use of available training time and to increase unit readiness. We urge the continued funding of both research and development and procurement of such devices.

Attack Helicopters

The Army has programmed the procurement of a total of 675 AH-64 attack helicopters for the Army and the Army National Guard. Currently, the Army is procuring 144 of those helicopters each year. In the FY85 and FY86 Defense bills, the Congress directed that 18 of the 144 AH-64s bought by the Army in each of those two years would be assigned to the Army National Guard. When those 36 AH-64s are assigned to the Army National Guard, and when the programmed Army AH-64 buy of 675 attack helicopters has been completed, the Army National Guard will still not have deployable anti-armor attack helicopters needed to equip ten of its attack helicopter battalions. Only additional AH-64 attack helicopter procurement, beyond the 675 programmed, can overcome that shortage. We urge that the overall procurement of AH-64 attack helicopters be continued, at a rate of 144 per year until all requirements for attack helicopters in the active Army, Army National Guard, and Army Reserve are met, and that the Congress continue to direct a portion of each year's procurement be assigned to meet ARNG requirements.

Utility Helicopters

The Army is phasing out UH-1H utility helicopters from the active force, and replacing them with modern UH-60A Black Hawk models. The ARNG, with a requirement for 1,177 utility helicopters, is scheduled to receive 20 UH-60A's in FY 1986. At that rate, it would take over 50 years to modernize the aging Army National Guard UH-1H utility helicopter fleet. We urge the Congres to direct increased procurement of UH-60A's to speed up ARNG utility helicopter modernization.

ARNG Ground Combat Equipment

In FY82, the Defense Authorization Bill first included language which announced the intent of the Congress to provide funding for items of Army Guard ground combat equipment to be selected by the Chief, National Guard Bureau, based on his most pressing shortages. Each year since, Congress has provided such funds, which have been expended for communications equipment, howitzers, trucks, medical equipment and other critical items. In the FY86 authorization, $100 million was provided for that purpose while $333 million was appropriated. Even after application of these additional funds, the Army Guard will continue to suffer shortages in howitzers, trucks, communications equipment and medical equipment. We urge the continued funding of such items in the FY87 procurement program.

Fixed-Wing Aircraft

The Army National Guard has a requirement for 87 modern fixed-wing aircraft. Today, it has 12 C-12 and 13 U-21 modern aircraft, while the remainder of the fleet consists of obsolescent U-3s, U-8s and T-42s. Procurement of six C-12D aircraft, or their equivalent, for the Army National Guard would permit the retirement of six obsolescent aircraft from the ARNG inventory. In addition, there is a need for dedicated procurement of two larger aircraft, such as C-12J's or Twin Otters, for assignment to the ARNG in Hawaii and Puerto Rico, to meet the extensive over-water flight requirements in those locations.

ANG Tactical Fighter/Interceptor Force

The Air National Guard contributes 78 percent of the total air defense fighter interceptor and 26 percent of the tactical fighter force. However, as of the end of FY85, four interceptor units remain equipped with the 26-year-old F-106s and seven units are equipped with F-4C's and F-4D's, now an average of over 20 years old. The tactical fighter force of the ANG is currently equipped with over 44 percent of F-4 aircraft, with an average age of over 19 years. The F-4 is an expensive weapon system to operate, and is in need of several modifications to maintain its wartime effectiveness. To robust ANG fighter units and make progress toward the required 40 tactical fighter wings, an annual procurement level of approximately 300 aircraft is essential. Only 180 F-16s and 48 F-15s will be procured in FY86 and 216 F-16s and 48 F-15s are requested in the FY87 Budget.

The NGAUS has conducted a study of suitability of the Northrop F-20A as a replacement fighter for the air defense and tactical fighter role. The results were highly encouraging. The Air Force has taken the initial step in conducting a competition between the F-16, the F-20, and other suitable aircraft for replacement of air defense aircraft. Initiation of a procurement program to provide up to 300 aircraft to fill the air defense role would enable the Air Force to robust and modernize other ANG tactical fighter units. The NGAUS also supports an increase in F-15 and F-16 procurement to speed up

ANG robusting and modernization. Without additional procurement, the tactical fighter force shortages will continue into the foreseeable future.

Tactical Airlift

Modernization of the ANG C-130 fleet is essential because:

* There is no planned replacement of the C-130 in the tactical airlift role.

* The DoD decision to buy C-5/KC-10 strategic airlifter does not remedy the shortfall of intra theater airlift.

* The C-130A's presently assigned to the ANG lack the capability to meet the airlift requirements of the Total Force.

* The Air National Guard is currently performing 32 percent of the total Force tactical airlift requirements. The remaining 40 C-130A's, averaging nearly 28 years of age, require replacement.

* In FY78, Congress initiated an add-on program for modernization of the ANG tactical airlift units and, over the last nine years, Congress has continued to provide modern C-130H's for the Air National Guard and the Air Force Reserve.

We consider it imperative that the congressionally-initiated add-on program for new C-130H's be continued to ensure modern Guard and Reserve forces capable of meeting Total Force airlift requirements.

Operational Support Aircraft (OSA)

Congress appropriated funds for replacement of Air Force OSA CT-39A's in FY84. The Air Force competitive selection resulted in the lease of 80 C-21A and 40 C-12F aircraft. The four ANG CT-39A's were omitted from the replacement schedule. The CT-39A's are aging resources and are rapidly approaching airframe service life limits and structural modifications would be necessary to extend their life. An immediate requirement exists to replace the four ANG CT-39A's with C-21A follow-on OSA jet aircraft.

Weapons Systems Upgrade

Recognizing that the ANG will of necessity be flying older, less modern aircraft into the 1990s, we believe that those older ANG aircraft should be upgraded. Upgrading of older aircraft extends the useful combat life of the aircraft and maximizes the combat potential achieved from the original investment.

Communications Equipment

ANG combat information systems units (70 percent of Total Air Force capability) and tactical air control units (60 percent of the Total Force capability) are all tasked for rapid worldwide deployment. There is an immediate requirement to procure CE&M equipment valued at approximately $66 million. This will allow procurement of the more critical items of equipment. Remaining Table of Allowances shortages and equipment modernization requirements for ANG CE&M units are in excess of $186 million.

FEDERAL SHARE OF COST OF ARMORIES

The law requires that the cost of new armory construction be shared between the federal government and the states at a 75/25 percent ratio. The states must also provide the land, provide site preparation and bring utilities to the property line plus 100 feet. Following construction and acceptance, the states acquire ownership of the armory and are required by current directives to maintain the armory at state expense and make it available for military use for the next 25 years.

State legislatures are often hard pressed to appropriate the funds required to both construct and maintain armory facilities. During the past two years, congressional action provided some relief to the states. Changes in law authorized, first, 100 percent federal funding of armory expansion projects required as a result of changes in DoD construction criteria or standards relating to the execution of the federal military mission assigned to the unit using the facility, and second, advance federal funding for engineering and design costs on a reimbursable basis with the states.

Congress also authorized cost sharing of major maintenance projects for armories. As armories age, major repair or replacement costs for such things as leaking roofs, faulty plumbing or aging heating systems mount up rapidly. Often states defer the repair or replacement of aging major maintenance items because funds which otherwise might have been available for that purpose had to be used to cover the sharp rises in the cost of heating Guard facilities over the past few years. The provision of federal funds to share in the cost of major maintenance of National Guard armories, to include specific items such as repair or replacement of roofs, heating systems or other utility systems, should help to lessen the impact of the expanded demands on and utilization of armories.

The National Guard Association of the United States also applauds the initiation of federal funding for the provision of space, utilities and communications support of full-time federal personnel, performing a federal mission in existing armories. We strongly urge full funding of such costs beginning in FY87.

The estimated cost of providing full support to Army Guard full-time federally paid personnel and 50 percent of the cost of major armory maintenance projects in FY87 is $33 million.

SUMMARY

Mr. Chairman, I have appreciated this opportunity to present the views of the National Guard Association of the United States on actions needed to improve the combat readiness of the National Guard.

We have recommended several changes to improve the New G.I. Bill. Of course, we strongly urge continuation of the New G.I. Bill as a critical recruiting and retention incentive program. We also urge support of the provisions of H.R. 1498, to improve manning in the health profession skills.

We have supported the Army and Air National Guard budget requests for additional full-time support personnel.

We support the current military retirement system, and urge lifting of the 60-point ceiling on credit for participation in inactive duty training. We also urge that the current age and years of service provisions for technician retirement be retained in any new Civil Service retirement legislation, and that a supplemental annuity be provided until age 62.

We support the legislative initiatives to improve family and employer support of National Guard members.

We strongly urge increased efforts to fully equip and modernize the Army and Air National Guard forces.

Finally, we recommend that your subcommittee consider the impact of the increasing number of full-time federally paid support personnel and the expanded federal mission requirements of the Army Guard and provide the full federal share of operation and maintenance funding required for armory operation.

Mr. Chairman, we recognize the serious problems associated with a large budget deficit. While resources devoted to national defense must be held to a minimum, we feel providing manpower, equipment and supporting resources necessary to maximize the wartime capability of our Guard and Reserve forces will provide the most cost-effective capability possible. We cannot afford to jeopardize national defense in the interest of economy, but we certainly must maximize our wartime capability with the resources that can be made available.

We are grateful for the support which you and the members of this subcommittee have provided in the past, and we look forward to your continued support of National Guard requirements in the future.

PREPARED STATEMENT OF COL. C. JUDSON LIVELY, JR.

It is a pleasure to appear before the Committee. On behalf of the Reserve Officers Association, I wish to extend our thanks for this opportunity.

In past years, ROA has recommended Congressional action to provide better and more modern equipment for Reserve Forces as an economical way to maintain adequate armed forces in a dangerous world. That philosophy is just as valid today, and the wisdom of action along these lines is now obviously apparent.

It is well known that Reserve Forces are the most economical source of units when they are properly equipped and trained. At a time when the Defense Budget is under heavy attack, it would appear to be appropriate to increase reliance on Reserves, and that means providing them with suitable equipment.

We wish to thank the Congress for the significant gains made in modernizing the equipment of the Reserve forces during the past five years. To a large extent, this has been the result of Congressional initiatives, not Pentagon budget requests. If, having served as the vehicle for attaining a cheaper force structure, subsequent budget and manpower cuts are applied equally to the Reserve as for the active forces, combat capability and readiness must suffer. We urge the Congress to recognize the inherent savings in the Reserve force structure and to assure that essential manpower, equipment and operating funds be appropriated to preserve the required combat capability for the Total Force.

ARMY RESERVE

The "Posture of the United States Army for FY87", by The Hon. John O. Marsh Jr., Secretary of the Army and GEN John A. Wickham, Jr., Chief Staff, Army, states:

"The Army relies more than ever before upon its Reserve Components (RC) to meet today's challenges and to counter tomorrow's threats. Our experience in many parts of the world clearly reinforces the importance of the reserves if the Army is to achieve its goal of deterring war. Focusing the Army National Guard (ARNG) and U.S. Army Reserve (USAR) on appropriate missions and providing them necessary suppport have made these forces better prepared to meet their wartime commitments today than at any previous time in peacetime history. Through their improved readiness they serve today as fully contributing partners in the Army's mission of deterring war."

The United States Army Reserve in FY85 exceeded expectations of the troop unit end strength by more than 6,300 personnel. With an increased recruiter force at the beginning of the fiscal year, the Army Reserve should achieve a FY86 paid drill end strength of 285,178. ROA strongly supports the FY87 budget requests of a paid drill end strength of 299,229. These increases will improve readiness of the Army Reserve to the extent that additional missions could be assigned to the USAR, thus freeing Active Army personnel for other missions.

The Army Reserve's ability to meet these desired strength levels will be highly dependent upon the resources provided to the Selected Reserve Incentive Program (SRIP); therefore, ROA fully supports the enlistment and reenlistment incentives programs for the Reserve. Such programs are extremely important in light of the declining pool of non-prior service manpower.

ROA encourages Congressional support of the Army Reserve strength of the Active Guard/Reserve (AGR) program. The FY87 projected AGR end strength of 13,657 will imporve the Army Reserve mobilization readiness. These full-time personnel make it possible for drilling Reservists to have more training time available and participate in more realistic exercises. The military technicians are a vital element of the full-time personnel and an increase of about 2,000 is needed.

ROA was pleased to see the full development of the Army Reserve Personnel Center (ARPERCEN) as a Field Operating Agency of the Office of the Chief, Army Reserve. ARPERCEN is challenged to maintain, and increase, the proficiency of the over 310,000 Individual Ready Reserve (IRR). The Army IRR is the nation's largest pool of deployable, pretrained individual personnel and requires a broad range of meaningful and realistic training. These soldiers are available for mobilization to bring the total Army to its wartime strength. To ensure continued strength maintenance in the IRR, ROA recommends Congressional authorization and funding for all IRR programs.

ROA continues to support the USAR Individual Mobilization Augmentee (IMA) program. IMA's are members of the Selected Reserve assigned to units of the Active Army and other agencies. IMA personnel fill vacancies that are not authorized in peacetime but become critical upon mobilization.

The "key" to combat readiness is training. ROA supports the increased funding of the numerous training programs. The Overseas Deployment Training (ODT) program ensures realistic training. Army Reserve participation in joint exercises such as REFORGER, WINTEX, TEAM SPIRIT, BRIGHT STAR and BLAZING TRAILS should be increased. ODT is an enhancement for retention and is extremely cost effective. School training requirements for Army Reservists are increasing. Funding growth rate should be supported to imporve specialty skill qualification rates to maintain required standards of proficiency with new systems and technology. The USAR has an essential need of increased equipment for training. The Army Reserve troop program units have identified more training requirements, and the need for Additional Training Assemblies requires a strong demand for additional maintenance floats. Training devices and simulators for the Army Reserve are vital to the unique support heavy structure.

The Congressionally directed Dedicated Procurement of Equipment for the Army Reserves has made significant progress in readiness the past few years. These critical items of equipment are essential to increase the actual war fighting ability of the Army Reserve. ROA strongly supports the Dedicated Procurement program and encourages Congress to fund to the maximum of the authorization.

The United States Army Reserve is the largest of all the Reserve Components. The over 600,000 personnel in the Army Reserve are approximately 38 percent of the total Army strength. The Navy, with a Naval Reserve of less than 120,000 strength, has reinstated the Chief, Naval Reserve as Vice Admiral. ROA recommends the Chief, Army Reserve be elevated to a commensurate rank. This would clearly focus on the importance of the Army Reserve to National Security and the Army's mission of deterring war.

NAVAL RESERVE

As ROA has often stated during the last few years, the support and direction provided by Secretary Lehman and the CNO, Admiral Watkins, have led the way in upgrading the Naval Reserve as a fighting force. The Navy is to be highly commended for these initiatives. Several years ago, the Navy's support for, and appreciation of, the Naval Reserve was, for all practical purposes, non-existent. However, tremendous strides have been made during the past few years. ROA strongly urges continued Congressional support for the Naval Reserve initiatives contained in the FY87 budget request.

PERSONNEL

The Administration proposal to attain 127,328 Selected Reserve (Category A) end strength by the end of FY87 is strongly supported by ROA. This number represents an increase of 9,119 (7 percent) over FY86 and will put the Naval Reserve paid strength at 97.5 percent of wartime requirements. The current Navy plan calls for a Category "A" Selected Reserve strength of 136,738 by the end of FY91, an increase of over 37,000 from the plan submitted four years ago. A truly remarkable turnaround!

Accordingly, ROA strongly urges approval of the Reserve Personnel Navy (RPN) funding request of $1.528 billion which will support an FY87 Naval Selected Reserve (Category A) end strength of 127,328, (average - strength, 121,392).

Even with increased personnel strength in the Naval Reserve, the manning of high priority units, particularly the NRF ships, remains a problem. A significant contributing factor to the manning problem is the rigorous training and long hours spent by the Reserve crew when the NRF ship goes to sea for the entire weekend, leaving port Friday night in many cases. In addition to the eight hours of training which takes place during the working day, watches must be stood around the clock when the ship is at sea. For this relatively arduous duty, the NRF Reserve crew member receives no incentive, except the "joy of going to sea." Even with mandatory assignment, Naval Reserve Frigates SELRES manning, as of December 1985, was only 87.3 percent. The high turnover rate, which currently occurs on NRF ships, further exacerbates the problem.

Accordingly, the Navy has included proposed legislation to amend 37 USC, "...to authorize payment of an incentive pay to enlisted personnel of the Selected Reserve who participate in certain units as designated by the Secretary of a Military department..." This proposed legislation would provide incentive pay of up to $10 per drill to those enlisted Reservists in units so designated—which would amount to $40-$50 per drill weekend. Such an additional amount seems somewhat minimal in today's economy; however, a study conducted by the National Defense University indicated that a $10 per drill incentive would significantly improve drill attendance and increase NRF ship readiness. With the steadily increasing number of modern, front line ships entering the Naval Reserve, creating even greater reliance on the NRF, full manning of these ships is a most critical need.

This incentive was approved by the House last year but fell out in the Authorization Conference. ROA again strongly urges passage of this legislative proposal and also recommends that the requested FY87 funding level of $2 million be approved.

The FY87 RPN budget submission also requests an increase of full time support active duty (TAR, TEMAC & 265 Recall) personnel from the FY86 level of 19,010 to 23,197. This increase of 4,187 represents necessary support for the rapidly growing Selected Reserve force; increased Reserve recruiting requirements; the growing frigate program (mandated by Congress to be manned by approximately 50 percent TAR - 50 percent SELRES); and aircraft squadron transitions to new, more sophisticated aircraft. (The FY87 growth request is also somewhat exaggerated because of the 500 congressional cut in FY86.) ROA recommends that this requested increase in full time support personnel be approved.

Along with this increase in full time support personnel, ROA also recommends approval of the requested TAR Selective Reenlistment Bonus. This bonus will be targeted at expanded ratings for NRF ships. While it will provide greater equity with USN shipmates serving on the same NRF ship, the amounts paid will still be less than that given USN personnel, since the NRF ships do not deploy. Such a bonus must be approved if the enlisted TAR community is going to attract the critical ratings necessary for ship and aircraft squadron manning.

One final personnel item involves HR 1441, introduced by Congressman Montgomery on 3 March 1985. ROA strongly supports this bill which would authorize an increase in the maximum number of Deputy Chiefs of Naval Operations (DCNO) from six to seven in order to provide for a DCNO (Naval Reserve). ROA is absolutely convinced that this change is essential to institutionalize the gains that the Naval Reserve has made over the past six years — gains made primarily because of the personal efforts of the current Secretary of the Navy and the current CNO. Such an organizational change would enhance the ability of the incumbent, regardless of personalities, to obtain support for the Naval Reserve within the Navy, particularly during budget development.

It should be noted that such an increase in the number of DCNOs will not increase the total authorized number of flag officers or the number of three star or above authorizations for the Navy. This "red herring" kept surfacing last year during Congressional discussions and probably led to the defeat of the proposal during the FY86 Authorization Joint Conference.

ROA would hope that such assurances, coupled with the fact that the incumbent is now a Vice Admiral, would suffice and that HR 1441 would be passed, or included in the DOD Authorization Bill, this year.

NRF FRIGATES/LAMPS I HELICOPTERS

The Navy plan to transfer modern, mission capable frigates to the Naval Reserve is proceeding on schedule. By 1990, eight FF-1052 Knox class and eighteen FFG-7 Perry class frigates will be in the NRF. Currently, six Knox class and five Perry class frigates are in the NRF, with four more Perry class scheduled to transition to the NRF later this year.

One must remember, however, that the FFG-7s were developed as the low end of the high-low mix. They're merely platforms with questionable capability of performing any mission without retrofitted sensors and weapons. These frigates are "programmed" to receive the AN/SQR-18 Tactical Towed Array Sonar System (TACTAS) and the LAMPS I ASW helicopter.

After a somewhat shaky start in earlier years, LAMPS and TACTAS finally appear to be on track for the NRF frigates. Secretary Weinberger has stated that all NRF FF-1052s and FFG-7s would receive LAMPS/TACTAS, and, in fact, the FY87 budget submission contains funding requests for both.

Since this "retrofitting" is so critical to ASW mission capability, we ask that the Congress approve the FY87 request and continue to monitor closely the LAMPS/TACTAS program for the Naval Reserve frigates.

COMBAT SEARCH AND RESCUE; LIGHT ATTACK HELICOPTER

The only Combat Search and Rescue (CSAR) capability in the Navy rests in the Naval Reserve with aircraft which are approaching an average age of 25 years and are not survivable against today's threat. The Congress, recognizing this weakness in our warfighting capability, added $12 million in FY85 and $25 million in FY86 for a total of six HH-60 aircraft for the Naval Reserve combined Combat Search and Rescue, and Light Attack Helicopters (HAL) missions. However, the funding appropriated for the first six helicopters will, essentially, buy only "off the shelf" aircraft. With the RFP scheduled to be issued this month, it has become obvious that additional funding will be necessary to procure the fully "marinized" aircraft necessary to accomplish the CSAR and HAL missions. The Navy estimates the required additional funding to be $23 million.

In accordance with the Congressional recognition of this problem during FY85 and FY86 deliberations, ROA strongly recommends that this vital modernization program be continued and that $23 million additional funding be approved for the purchase of six CSAR/HAL helicopters.

MARITIME PATROL AIRCRAFT

Last year the CNO stated that introduction of the P-3C into the Naval Reserve Force was a high priority consideration. In conjunction with this statement, the Navy proposed a well conceived plan to accomplish this program. The Navy should be highly commended for expanding the policy of horizontal equipment integration into the Maritime Patrol community. Such action is fully supportive of Secretary Weinberger's stated policy of, "First to fight, first to be equipped."

The P-3C is the primary airborne ASW system currently in the inventory. However, continued procurement of the P-3C ran into significant Congressional problems last year, both in the Authorization and Appropriations process. Cost escalation and "VPX" appeared to be the major contentious issues. In the FY86 Continuing Resolution, Congress finally funded nine P-3 aircraft (six for the Naval Reserve). Advance procurement money was also approved.

ROA is concerned about the future of the Maritime Patrol mission. Clearly, there is much Congressional concern, and possibly confusion, about continuation of the P-3C program. However, at least last year, there appeared to be a real danger that Congress might direct termination of P-3C procurement based on:

(1) VPX is the maritime patrol aircraft of the future. Accordingly, we should not procure additional P-3Cs.

(2) The gap between now and VPX can be effectively bridged by retrofitting existing airframes, which the Navy has in sufficient quantity to meet Total Force requirements.

Both of these arguments are suspect. The Navy has now backed away from VPX. The current Navy thinking is that the P-3C, Update III, will be followed by P-3D, Update IV. While this new aircraft will be subject to competitive bidding, it will not be radically different, rendering obsolete the P-3C. Also, as was pointed out during final deliberations last year, the current inventory of airframes does not satisfy Total Force requirements — it is 54 airframes short!

Continued production of P-3C aircraft and incorporation of planned improvements in the P-3C appear to be the most cost effective short and long term solution to meeting the Navy's maritime strategy. The existing plan should, in no case, be arbitrarily halted by the Congress until acceptable alternative plans have been fully developed and scheduled for implementation in an orderly manner. Degradation of the Maritime Patrol mission, in face of the Soviet submarine threat, cannot be accepted.

In the strongest possible terms, ROA urges that Congress support the Navy plan for introduction of P-3C aircraft into the Naval Reserve and approve the procurement of the nine P-3C, Update III, aircraft requested in the FY87 budget.

ARAPAHO

Previously, most of the discussion about ARAPAHO concerned a convoy protection program which places ASW helicopters on board merchant ships, although it was also noted that the concept is adaptable to other missions, such as mine countermeasures. Nevertheless, despite continuing Congressional interest, the Navy generally chose to ignore ARAPAHO for a variety of reasons.

However, ARAPAHO has finally surfaced in Navy planning -- as a mine countermeasures platform. While not included in the FY86 budget submission, the Navy is looking at APAPAHO as a POM 88 issue - estimated costs to construct two ARAPAHO facilities, one for each coast, to operate

five RH-53 aircraft aircraft each in an Airborne Mine Countermeasures role, is $58 million. Congress added $4.3 million in FY86 to support ARAPAHO development.

ROA continues to support the concept of ARAPAHO for a variety of missions as a relatively low cost item. We still believe that its primary role will eventually be confirmed as a lower cost ASW force multiplier; we nevertheless welcome the current Navy initiative and urge continued Congressional support.

MARINE CORPS RESERVE

The Marine Corps Reserve is a major factor in the Total Marine Force, contributing one-fourth of the structure and one third of the manpower. While ROA has not yet had the opportunity of evaluating the FY87 USMCR budget, the Marine Corps Reserve manpower requirements will most likely be well provided for. Such certainly has been the case for the last several years.

ROA compliments the Marine Corps on their continuing recognition of the Reserve contribution and on their consistent support of the Reserve component. The Marine Corps Reserve budget has reflected real growth every year since FY78. This support has enabled the Marine Corps Reserve to meet and usually exceed the OSD Program Guidance.

ROA strongly supports Marine Corps efforts to modernize the Reserve Ground Combat Forces. The "single acquisition objective" procurement program is designed to ensure that equipment upgrading occurs in Reserve units to correspond with active counterparts. We urge Congress to support these efforts and expedite this modernization process to the maximum extent feasible.

Unfortunately, the Marine Air Reserve has lagged far behind the ground forces in equipment modernization. The Fourth Marine Air Wing is severely limited in its capability to augment and reinforce the active forces due to aging aircraft, aircraft shortages, incompatibility between Active and Reserve aircraft and block obsolescence. Unfortunately, the Marine Corps has not initiated a horizontal integration of equipment policy in their Air Reserve program as has the Navy. Since the same rationale applies, and since the Marine Corps is a part of the Navy Department, ROA does not understand the reason for this problem. The Marine Air Reserve should commence as soon as possible to replace aging and incompatible F-4s. While the Marine Corps Reserve has a stated goal of having an all F/A-18 fighter attack force, the transition to F/A-18s is not scheduled to begin until 1991. In our opinion, that is far too late, particularly given the fact that Naval Air Reserve Units are already transitioning to F/A-18s. ROA urges Congress to direct implementation of horizontal equipment integration in the Fourth Marine Air Wing similar to that already underway in the Naval Air Reserve.

Congress has previously directed establishment of two Marine Air Reserve KC-130 aerial refueler/transport squadrons and further directed expedited procurement for this purpose. Twelve KC-130 aircraft were funded for the Fourth Marine Air Wing as Congressional add-ons in FY82, FY83, FY84, FY85. and FY86. A total of eight KC-130s remain to be procured to meet the Congressional mandate. ROA recommends additional funding be added again this year to procure two additional KC-130 aircraft for the Marine Air Reserve.

The Marine Corps has developed long range plans to upgrade the capabilities of the Marine Air Wing. The intent of these plans obviously is laudable. However, as noted earlier, they are far in the future and depend on too many variables. ROA strongly urges that Congress immediately commence authorization and funding for this long overdue modernization program as the most critical need for the Marine Corps Reserve.

COAST GUARD

Finally, I would like to briefly mention the concern of ROA about the Coast Guard and Coast Guard Reserve. While not specifically a subject of this hearing, the Coast Guard, nevertheless, plays a significant role as one of the five Armed Forces. Certainly, the military readiness of the Coast Guard should be an item of concern to the Armed Services Committees of the Congress. Of course, Coast Guard Reserve strength is specifically authorized by the Armed Services Committees.

The Coast Guard's capability to carry out wartime taskings is a matter of well known serious concern. These shortcomings have been set forth time and again in magazine and newspaper articles, in GAO reports, and in Congressional oversight reports. None of these independent evaluations appear to make any significant impact on the Administration.

Even the Congress, particularly the Senate, which generally recognizes the Coast Guard problems and helps out, became a part of the problem in FY86. Only at the last minute was the Coast Guard able to avoid a proposed Senate reduction of catastrophic proportions.

We are pleased that the Administration has recommended a 500 person increase in the Coast Guard Selected Reserve - from 12,500 to 13,000. However, this minimal increase hardly responds to an established mobilization requirement of 27,460. A Selected Reserve which constitutes only 47 percent of mobilization requirements is a long way from attaining the Department of Defense program to man all of its Reserve forces at 100 percent of mobilization requirements by 1988.

Additionally, the Administration did not include one penny in the budget to support the 500 increase. ROA estimates that an additional $2 million is necessary to support this requested, and very essential, increase.

ROA wishes to hoist a warning against current pressures to privatize a wide range of Coast Guard activities. The concepts are not new; they just carry different labels. Not too many years ago there were moves to "civilianize" the service; then came pressures to contract out services through the so-called "A-76 Process;" and now , privatization.

The Coast Guard roles have been consolidated, reduced, expanded, surveyed and heavily scrutinized by both external and internal reviews over the years, and always have been determined to be in the public interest. ROA is very concerned that privatization will be pushed without regard to the adverse impacts it may have on National Security missions.

The Coast Guard provides this country with a ready, highly-specified, professional military force in position to support or link-up with the other Armed Forces if this nation must be defended -- ready on a 24 hour basis to go anywhere, in a moment's notice. As ROA has noted on many occasions, the JCS War Plans call for the Coast Guard to perform a variety of functions, many overseas, in a national emergency. In many such mission areas, the Coast Guard, alone among the Armed Forces, posesses the sole capability and expertise. The loss of any significant portion of these missions through privatization must result in a loss of platforms and personnel necessary for mobilization, as well as loss of peacetime training platforms. Such action would clearly adversely impact our National Security.

ROA solicits your support in the maintenance of a Coast Guard which is fully manned, trained and equipped to meet both its peacetime and wartime missions. It is imperative that the Coast Guard and Coast Guard Reserve be fully prepared to meet their statutory military duties as prescribed in 14 U.S.C. 1, which provides for the Coast Guard to be "...a military service and branch of the Armed Forces of the United States at all times."

Further, ROA would ask that the members of this subcommittee initiate efforts to ensure that the Commandant of the Coast Guard testifies annually before the Armed Services Committees concerning the capability and readiness of the Coast Guard to fully carry out its national security role.

AIR FORCE RESERVE

This year the Air Force Reserve (AFR) established an enviable standard by which to judge the quality of the Reserve portion of our Total Force. This standard was set when the AFR won all three Air Force worldwide competitions that it entered. AFR units were the overall winners in the international tactical airlift competition, the worldwide tactical fighter gunnery competition, and the Strategic Air Command's tanker competition. Additionally, AFR crews and units won numerous titles in subcompetitions such as weapons loading, maintenance, and individual gunnery events.

The Air Force Reserve has competed with the top units of the Air Force and won; it can truly be said to be a combat force second to none. As a former commander of the Tactical Air Command, General W.L. Creech, USAF(Ret.) said at the Gunsmoke awards ceremony they are ". . . the best of the best in the world, . . ."

One of the reasons for the remarkable success of the Air Force Reserve, is the modern equipment received in recent years that allows its units to compete on an equal basis with the active force. We thank the Congress for providing the funds for F-16 aircraft for the Reserve Gunsmoke winners, and C-130H aircraft for the Volant Rodeo victors. The true value of modern equipment is, of course, reflected in increased combat capability for all AFR units that are updated. We will see similar improvements in the capability of the Reserve F-4 aircraft as equipment improvements funded by Congress in the previous two years are installed.

It is imperative that modernization of the Air Force Reserve aircraft continue. We urge the Congress to provide eight C-130H aircraft to replace thrity year old "A" models this year. In the face of severe budget constraints, it makes economic, as well as operational sense, to assure a viable, combat capable Reserve force. As more reliance is placed upon the Air Force Reserve to provide a cost efficient alternative in the Defense budget, we must assure that its units are equipped and trained to fulfill the wartime mission when called upon. In the case of the tactical airlift mission, nearly two-thirds of the total force comes from the Air Reserve Forces (Air Force Reserve and Air National Guard). Clearly it would be disasterous to allow the Air Reserve Force C-130 units to become obsolescent .

A second factor in the high level of readiness and combat capability in the Air Force Reserve is the Military Technician program. We are convinced that for the Air Force Reserve and its particular situation, the Military Technician is the key to success. These dual status individuals provide day-to-day management and continuity to their units while performing as full-time AFR employees. As military members of their units, they train other Reservists during active duty and inactive duty training periods. The high skill level and stability of these employees is critical in sustaining the AFR's outstanding operational readiness.

To aid in maintaining the vigor of the Military Technician program, the Administration will shortly recommend changes to Title 5 USC to permit separation of certain "status quo" technicians as soon as they become eligible for an immediate retirement annuity. This is a counterpart ammendement to Title 10 USC which was signed into law last year.

A third ingredient of the AFR's success is the high level of annual and inactive duty training participation. Whether as a unit member or Individual Mobilization Augmentee (IMA), the dedicated Air Force Reservist makes many sacrifices to serve our country. The family and employer also make many sacrifices to support the Reservist when he receives short-notice orders, extended duty and countless other hardships and inconveniences. We thank the Congress for the many initiatives accomplished in previous years to provide the necessary support to the individual Reservist and to the mission.

Again we urge that we not be pennywise and pound foolish in the face of this year's fiscal constraints. Modern equipment, meaningful missions, and realistic training are the foundation of the AFR's combat readiness. The Operations and Maintenance Appropriation provides the day-to-day operating money to carry out the Reserve mission. Across-the-board cuts in these accounts, without regard to mission tradeoffs made to the AFR, will not serve the Total Force nor our common defense well. The continued expansion of the AFR in combat and mission support, as well as flying units, makes it imperative that the AFR not be apportioned a simplistic "share" of any cuts in Operations and Maintenance funds. The AFR, for example, provides 64 percent of the Air Force Aeromedical Evacuation Units, Aircraft Battle Damage Repair capability and Aerial Port Squadrons. The majority of the programmed manpower growth in the AFR is in these units. The requested growth in manpower, and operating funds is a direct result of continued AFR personnel and mission unit growth in fiscal years 1987 and 1988.

In summary, with your continued understanding and support, the Air Force Reserve will continue to provide a superb, cost effective, combat ready, fighting force. Exercises and real world contingencies have proved that all AFR units can mobilize in 24 hours and deploy within 72 hours. The AFR is ready, better and stronger than ever before; we ask that you provide the resources to keep it that way.

GENERAL PERSONNEL ISSUES

RESERVE OFFICER PERSONNEL MANAGEMENT ACT

The long-waited Reserve Officer Personnel Management Act (ROPMA) was forwarded to the Congress as an administration legislative proposal on 11 December 1985. It has since been entered as H.R. 4167. In general, ROA supports this proposal and urges the Congress to pass it during this session. Too many Reserve personnel items have had to be addressed on a piece meal and recurring basis because of the absence of this comprehensive legislation.

We do request, however, that three subsections dealing with constructive credit for experience when appointing officers in the Reserve be restored. These subsections were in the original draft bill, but were deleted prior to submission to Congress*. They recognize valid needs of the Reserve components and would be extremely beneficial in assuring that critical specialties are filled.

*Draft bill subsection 596(b)(1.)(C), 596(b)(1.)(G), 596(b)(1.)(e).

RESERVE MEDICAL COVERAGE

ROA appreciates the giant strides that the Congress has taken over the past three years to equalize the benefits for Reservists and their survivors in the event a Reservist becomes ill, is injured, or killed while traveling to or from training or while participating in weekend drills or on tours of less then 30 days. The increased reliance that is being placed upon the Reserve Components, to include their insertion in hostile environments, has made it essential that this element of the force be provided equal medical, disability and survivor benefits. There are a few remaining areas that need to be addressed, such as the possibility that a Reservist, who is injured in his military job, can have his incapacitation pay terminated prior to being physically fit to return to his civilian occupation. This occurs when the Reservist is declared physically fit to perform his military duties but his civilian employer determines that the injury has not healed to a sufficient degree to permit him to return to his civilian occupation.

HEALTH CARE PERSONNEL

DoD continues to place increased reliance upon the Reserve Components to provide health care in a war time situation. In fact, it is estimated that more than 50% of all the personnel required to provide war time medical care will come from the Reserve Components. In spite of this, legislation has not been submitted to provide special pay for Reserve Component health care professionals. When the 96th Congress enacted legislation to provide special pay for Active duty health care professionals, the Reserve Components were not included. ROA believes that a special pay incentive program would have the same beneficial effect on recruiting and retention for the Reserve Components that PL 96-284 had for the Active duty force. Legislation to address the shortages that currently exist in the Reserve component health care professional area should be delayed no longer if increased reliance is going to be placed upon the Reserve Components to make up the short fall in war time medical care.

GI BILL

All reports that ROA has received indicate that the GI Bill, which was ~~passed two~~ years ago, has been a great success. We were therefore quite concerned to note that continued funding for this program was not included in the administration's budget request this year. We hope that the Congress will take the necessary action to insure that the new GI Bill program continues on track in FY87 and beyond. As with any new program, there is room for some modification, and we would like to see the legislation amended to permit participation in the program by Selected Reserve members who have earned a bachelors degree. In addition, the contribution schedule should be changed to permit a smaller monthly deduction over a longer period of time, and inclusion of a provision permitting refunds in appropriate cases.

COMMISSARY PRIVILEGES

In the FY84 DoD Authorization Bill the Congress directed the Department of Defense to conduct a test program in which a limited number of Selective Reservists were allowed, at their convenience, up to 14 commissary visits a year. The test was very favorably received by the Reserve community. Unfortunately, the test was allowed to end and this positive recruiting and retention factor was not made available across the board to all drilling Reservists. We encourage the Committee to reexamine the concept of permitting members of the Selective Reserve the opportunity to exercise their commissary privileges in the same manner that they currently use their post exchange privileges.

In addition, ROA believes that exchange and commissary privileges should not be lost to those who are transfered to the Retired Reserve after completing 20 or more of qualifying service. Reserves in this category are in a limbo status until they reach age 60 and become entitled to pay and the other benefits associated with military retirement. It would be a low-cost benefit to extend post exchange and commissary privileges to these pre-aged 60 Reserve retirees and, in addition, would serve as a valuable retention tool for the Reserve components.

MILITARY RETIREMENT

The FY87 Budget submitted by the administration eliminates the Cost of Living Adjustment (COLA) scheduled for 1 December 1986. In addition, the administration has proposed making future Civil Service retiree COLA's two percentage points below inflation, instead of being fully indexed. If enacted into law, this provision would apply to military retirees unless specific delinkage language is included in the legislation. ROA hopes the Congress will reject both the FY87 COLA freeze and the concept of a COLA minus 2% in the future. The erosion of the purchasing power of military retired pay must stop if faith in the system is going to be retained by those currently serving. If the value of the military retirement system, as part of the overall compensation package, is permitted to continue to erode, we are concerned over the impact this will have on the ability of the services to retain the quality and quantity of mid-career personnel needed to insure the combat readiness of our forces.

From the individual service members point of view, retirement is part of the economic security package that the service member counts upon during his years of service with its attendent personnel and financial hardships. For the US Armed Forces, the retirement system is a vital manpower management tool which permits the retention of a young force with the experience and skills necessary to meet our world wide national security obligations. The military retirement system has proved to be effective in being a force management tool and in providing a form of economic security for those who are willing to endure, for a minimum of 20 years, the hardships, the separations, the loss of many personal civil liberties, and the possibility of facing armed conflict. We urge this Committee to carefully evaluate the long term impact that changes to the military retirement system can have. The cost of misjudgement in this area can have severe national security ramifications.

RESERVE COMPONENTS SURVIVOR BENEFIT PLAN

ROA is concerned over the impact the new two-tier Survivor Benefit Plan will have on Reserve Component participation. Under the old system a Reservist who paid maximum Social Security taxes each year in his civilian employment, and thus had no military pay contribution to FICA, was providing an unreduced annuity for his survivors. Under the new system the survivor of a Reservist who had no Social Security credits based upon military service will still suffer an annuity reduction from 55% to 35% at age 62. We believe that this arbitrary formula unjustly impacts on this group of survivors and recommend that the Committee reexamine the Survivor Benefit Plan changes made last year.

We would also like to point out that if a military SBP recipient remarries prior to age 60, the annuity ceases. Until recently the same was true for Civil Service. However, a change in the law permits a Civil Service survivor to continue to receive benefits if remarriage occurs as early as age 55. We believe that the same younger age should apply for both Survivor Benefit Plans.

Thank you for the oppurtunity to appear before this Committee. Your support for the men and women in uniform, Active and Reserve, is noteworthy and sincerely appreciated.

I will be happy to answer any questions that you might have on these issues.

Prepared Statement of Capt. Pat R. Lucci

Mr. Chairman, Committee members, the Naval Reserve Association appreciates the opportunity to provide testimony to the Committee for your consideration.

The Naval Reserve Association has advocated the cost effectiveness of a well equipped and properly manned Naval Reserve.

This message is even more important today as the Gramm-Rudman-Hollings balanced budget amendment goes into effect. We recognize that in truth, FY-87 will be the easiest year of Gramm-Rudman-Hollings, but believe continued modernization and growth of the Reserve component must be sustained if this nation's military capability is to be maintained.

Secretary of the Navy John Lehman, in his Fiscal Year 1987 Posture Statement, reaffirmed his earlier commitment to Reserve force structure and modernization when he stated:

> "Five years ago the Department of the Navy undertook a major reorganization of Reserve components to move from a vertical to a horizontal relationship with the active forces. Essentially, that means that the Reserves must provide immediate augmentation to the active force in time of emergency across the entire spectrum of warfare. It means also that, in peacetime, we rely on selected reserves to provide real-time fleet support across their mission areas. To execute this common-sense policy, the Reserves must have equipment compatible with the active forces. For instance, instead of providing the Reserves only such equipment as becomes obsolete and is removed from the active force, there must be a spectrum of new and old equipment reflected in the Reserves parallel to and in the same proportion as that in the active force. We have taken fundamental steps to bring this about:
>
> "- Eleven modern OLIVER HAZARD PERRY and KNOX-Class frigates have been transferred to the Naval Reserve Force, with a total program of twenty-six frigates planned by 1990.
>
> "- The first Reserve squadron has now transitioned to the F/A-18 and the two other squadrons has now transitioned to the F/A-18 and two other squadrons to the F-14A.
>
> "- Modern A-7E, E-2C, and SH-2F aircraft have or are being transferred or acquired for Reserve units this year, with other fleet aircraft to follow during the current five-year plan.
>
> "- Squadron augmentation flying units have been established and have been operating successfully with each active duty airwing, providing current-trained aviators and maintenance personnel for immediate augmentation to active duty squadrons.

"The Naval Reserve contained several components which only exist in the Reserves: 100 percent of the Navy's U.S.-based logistics support squadrons; 100 percent of light-attach helicopter squadrons; 100 of our combat helicopter search and rescue capability; 100 percent of naval mobile inshore/undersea warfare units -- the 'Brown-Water Navy' -- structured for combat on inland waterways. Upon mobilization, the Reserves provide 99 percent of naval control of shipping organization manning for merchant ship mobilization and convoy formation for overseas operations; 86 percent of our ocean going minesweepers; 86 percent of the cargo-handling battalions vital to port management and loading operations in combat theaters; 85 percent of Military Sealift Command military personnel; 68 percent of Naval Mobile Construction Battalions, the famed Seabees; 66 percent of Special Boat Forces; 35 percent of maritime anti-submarine warfare patrol aircraft squadrons; 34 percent of naval intelligence personnel; 21 percent of ASW helicopter squadrons needed for fleet and convoy anti-submarine defense efforts; and 14 percent of our tactical sea-based aviation capabilities."

Stressing that the Naval Reserve capability is not only a "post mobilization" gain capability, Secretary Lehman goes on to state:

"It is not often realized how fully integrated our Navy and Marine Corps Reserves are becoming in our active force structure and peacetime operations. Naval Reserve C-9 transport aircraft made many trips in support of our Marines ashore in Beirut during 1983 and 1984, and provided direct support to our operations in Grenada during the same period. The Ready Reserve provided 349 volunteers for three-week tours of duty aboard the battleship NEW JERSEY during its 11-month 1984 deployment, enabling most of the crew to rotate home for leave. And for the last two years aviation squadrons aboard deployed carriers have been augmented by reservists from squadron augment units (SAUs) on voluntary temporary active duty."

Admiral James D. Watkins, Chief of Naval Operations, voiced his continued strong support of the Naval Reserve and the Department of the Navy's horizontal integration policy when he stated in his Fiscal Year 1987 Posture Statement:

"The Navy's total manpower needs result directly from requirements of the maritime strategy. However, the size and composition of the active Navy are constrained by affordability and attainability limits, requiring intelligent use of our Reserves. We have moved forward aggressively to integrate and maximize Reserve contributions while ensuring that no missions are transferred to the Reserves which either result in a net degradation of readiness, cannot be supported by available Reserve manpower, or are costlier than leaving them with the active forces.

"The focus of this process is 'horizontal integration'. Front-line ships and aircraft now compose a high percentage of the Reserve inventory, including increasing numbers of Reserve OLIVER HAZARD PERRY and KNOX class frigates. Both Reserve carrier air wings already fly or are programmed to receive fleet compatible state-of-the-art fighter, attack, and surveillance aircraft. Additionally, we have programmed new medium attack A-6E and EA-6B squadrons for Reserve wings so they will be completely modernized in synchronization with delivery of the two newest aircraft carriers. The day-night cycle flight operations by a Reserve air wing aboard USS RANGER in January of this year have demonstrated the progress of horizontal integration. The squadron augment unit (SAU) program initiated in 1984 integrated Reserve training into active fleet units and increased total force readiness. SAU air crews not only fly the same aircraft but also perform annual active duty for training with their gaining squadrons. I intend to continue and expand the number of participating Reserve aircrews. One-third of the P-3 ORION Maritime Patrol Aircraft squadrons are in the Reserve. These squadrons fly the modern P-3 ORION TACNAVMOD aircraft which allows Reserve flight crews to deploy and operate side by side with active squadrons.

> "THE PLANNED TRANSFER OF 25 ADDITIONAL ACTIVE SHIPS AND THE INTRODUCTION OF 31 NEW MINE WARFARE SHIPS AND 22 CRAFT OF OPPORTUNITY BY 1992 IS PARTICULARLY AMBITIOUS. TRENDS IN COMBAT READINESS FOR SURFACE UNITS ALREADY IN THE RESERVES ARE GRATIFYING. FOUR YEARS AGO, ONLY ONE RESERVE SURFACE SHIP IN FIVE REPORTED COMBAT READY. TODAY, THREE OUT OF FOUR ARE IN THAT STATUS."

THE EFFECTS OF YOUR COMMITTEE'S CONTINUED SUPPORT OVER THE YEARS ARE NOW CLEARLY VISIBLE AND THE NAVAL RESERVE FORCE PROFESSIONALISM AND COMBAT CAPABILITY HAVE BEEN UNQUESTIONABLY DEMONSTRATED.

THE NAVAL RESERVE FORCE MODERNIZATION MUST BE CONTINUED. IN ORDER TO CONTINUE THIS PROCESS, THE NAVAL RESERVE ASSOCIATION REQUESTS YOUR SUPPORT FOR THE FOLLOWING PROGRAMS:

- ANTI-SUBMARINE WARFARE
  - P-3 PROCUREMENT
  - LAMPS I PROCUREMENT
  - TACTAS FOR NRF SHIPS
- MINE WARFARE
- RESERVE TACTICAL AIRWINGS
- COMBAT SAR
- ARAPAHO
- NAVAL RESERVE STRENGTH
  - BONUSES
- EXPANDED RECALL AUTHORITY

NAVAL RESERVE OPERATIONS AND MAINTENANCE (O&MNR)

THE O&MNR ACCOUNT IS THE PROXIMATE READINESS PRODUCER AS IT PROVIDES THE RESOURCES THAT GENERATE FLIGHT HOURS, SHIP STEAMING DAYS, BASE SUPPORT AND HARDWARE OVERHAUL, AND MODIFICATION AND MAINTENANCE FUNDING.

THE FY-87 FUNDING REQUEST OF $975.9M SUPPORTS A 21-DAY/QUARTER FOR RESERVE SHIPS AND ATTAINMENT OF 87 PERCENT OF PRIMARY MISSION READINESS FOR NAVAL RESERVE FORCE SQUADRONS. THE FY-87 REQUEST REPRESENTS A $63.25M INCREASE OF THE FY-86 PROGRAM AND IS REQUIRED TO SUPPORT FORCE GROWTH OF FOUR (4) ADDITIONAL FRIGATES, THE INTRODUCTION OF THE FIRST AIRBORNE MINE COUNTERMEASURES SQUADRON, THE SECOND F/A-18 SQUADRON AND TRANSITION OF THE LAST TWO (2) FIGHTER SQUADRONS TO THE F-14 AT DALLAS.

FAMILY SUPPORT

THE USE OF COMMISSARIES BY RESERVISTS AND THEIR DEPENDENTS BASED ON DRILL PARTICIPATION SHOULD BE ENACTED INTO LAW. ADDITIONALLY, UNLIMITED COMMISSARY

AND EXCHANGE PRIVILEGES SHOULD BE EXTENDED TO THOSE RESERVISTS WHO HAVE COMPLETED TWENTY (20) YEARS OF QUALIFYING SERVICE BUT WHO HAVE NOT YET REACHED AGE 60.

THESE INDIVIDUALS ARE IN AN AMORPHOUS SITUATION WHEN IT COMES TO RETIREMENT BENEFITS. THEY HAVE SERVED THEIR COUNTRY WITH HONOR BUT WILL NOT DRAW A PENNY'S WORTH OF RETIREMENT COMPENSATION UNTIL THEY REACH AGE 60. DURING THE PERIOD BETWEEN THE TIME WHEN THIS GROUP RETIRES WITHOUT PAY AFTER THEIR QUALIFYING SERVICE AND WHEN THEY REACH AGE 60, THEY ARE NOT ELIGIBLE TO SHOP AT EITHER THE EXCHANGES OR THE COMMISSARIES. THE PERCEPTION AMONG THE RESERVISTS IS THAT THEY ARE SECOND CLASS CITIZENS, A GROUP OF FORGOTTEN PATRIOTS. NRA DOES NOT BELIEVE THE ACTIVE FORCE WOULD OR SHOULD BEGRUDGE THESE INDIVIDUALS THE PRIVILEGE OF USING THE EXCHANGE AND COMMISSARY FACILITIES. TOTAL FORCE HAS TO BE MEANINGFUL ACROSS THE SPECTRUM OF PRIVILEGES AS WELL AS RESPONSIBILITIES IF IT IS TO MEAN WHAT THE TERM CONNOTES. WE DO NOT BELIEVE THAT THERE WOULD BE AN ONSLAUGHT OF ADDITIONAL ACTIVITY AT THE EXCHANGE OR COMMISSARIES AROUND THE NATION IF THE PRIVILEGES WERE GRATED TO THE SUBJECT GROUP. SIGNIFICANT NUMBERS OF THESE RETIREES DO NOT LIVE WITHIN COMMUTING DISTANCE OF THE MILITARY FACILITIES BUT THEY WOULD PERCEIVE THAT THEIR SERVICE HAS BEEN APPRECIATED.

REAL PROPERTY MAINTENANCE

THE FY-87 BUDGET REQUEST WILL NOT MEET CONGRESSIONAL CONTAINMENT POLICY RELATIVE TO THE BACKLOG OF NON-DEFERRABLE MAINTENANCE AND REPAIR. THIS IS PARTICULARLY DAMAGING TO RESERVE ACTIVITIES AS MANY OF THEM ARE OF WWII VINTAGE AND IN DESPERATE NEED OF THIS FUNDING.

NRA UNDERSTANDS CURRENT BACKLOG IN THIS AREA TO BE APPROXIMATELY $50M, SOME $30M ABOVE CONGRESSIONAL CONTAINMENT STANDARDS. NRA RECOMMENDS THE ADDITION OF $10M TO ALLEVIATE THIS SERIOUS DEFICIENCY.

RESERVE ASW CAPABILITIES

A MAJOR PORTION OF THE RESERVE FORCE IS DEVOTED TO THIS OPERATIONAL AREA. YET, THE MOST SERIOUS SHORTFALLS IN MODERNIZATION AND EQUIPMENT ASSIGNMENT EXIST IN THIS SEGMENT OF THE RESERVE FORCE. IN PARTICULAR, THE BLOCK OBSOLESCENCE OF THE RESERVE MARITIME PATROL SQUADRON P-3A/B CAUSES GRAVE CONCERN.

ADDITIONALLY, THE RESERVE FRIGATES REQUIRE THE PROCUREMENT OF TOWED-ARRAY AND CONTINUED PROCUREMENT OF LAMPS I HELICOPTERS TO BE EFFECTIVE ASW ASSETS.

The Naval Reserve Association particularly solicits your support in this area and have included our positions on these issues as Annex I to our testimony.

SUMMARY

Mr. Chairman, I thank you and your Committee for hearing me today. I solicit your continued strong support for the Naval Reserve. I will attempt to answer any questions you might have.

RESERVE MARITIME PATROL (VP) SQUADRONS

The Maritime Patrol Force consists of 37 squadrons each containing nine (9) P-3 aircraft. Twenty-four (24) of these squadrons are active Navy and 13 are reserve.

The active Navy squadrons are equipped with P-3B and P-3C aircraft ranging in configuration from the most current production model, the P-3C Update Three, to the early non-updated P-3C and last-production P-3Bs.

The Reserve VP squadrons are equipped with the early P-3A and P-3B aircraft. Reserve squadron location and aircraft type are depicted below:

Squadron	Location	FY-86	Note
VP-60	Glenview, IL	P-3B	P-3C, FY-93
VP-90	Glenview, IL	P-3A	P-3B, FY-92
VP-62	Jacksonville, FL	P-3B	P-3C, FY-92
VP-64	Willow Grove, PA	P-3A	
VP-66	Willow Grove, PA	P-3A	
VP-65	Pt. Mugu, CA	P-3B	
VP-67	Memphis, TN	P-3A	P-3B, FY-89
VP-68	NAF Wash, MD	P-3B	
VP-69	Whidbey Island, WA	P-3A	
VP-91	Moffett, CA	P-3B	P-3C, FY-91
VP-92	S. Weymouth, MA	P-3B	
VP-93	Detroit, MI	P-3B	
VP-94	New Orleans, LA	P-3B	

The Reserve VP community represents 35% of the Naval Maritime Patrol Squadrons. Today the most critical issue facing our Maritime Patrol Squadrons is the block obsolescence of the early P-3A and lightweight P-3Bs. These two models represent 43% of our total aircraft and almost 100% of our Reserve Force aircraft. In the early to mid-60s the Navy bought the P-3A and P-3B aircraft at a high rate to replace their force of obsolete SP-2H Neptune aircraft. The aircraft delivered in the 1964-68 time-frame will reach the end of their 28 year fatigue life between 1992 and 1996.

The problem this mass obsolescence causes in terms of force loss and required budgetary outlays has been widely recognized.

During the FY-85 hearings, VADM Schoultz, the then Deputy Chief of Naval Operations (Air Warfare) was asked:

> "What production rate starting in FY 85 would be required so that aircraft could be transferred from the active force to the reserve force to replace the P-3As and lightweight P-3Bs as they reach the end of their service life without incurring a reduction in either the active or reserve force levels?"

To date the report has not yet been submitted and since the report itself has been classified, the Naval Reserve Association will never learn its specific content. However, the plentiful supply of unclassified information available has enabled the NRA to conduct its own analysis of current MPA force level aircraft and out-year projections.

The MPA Total Force requirement is for 460 aircraft as shown in Figure 1. Through the FY-85 Defense Bill, 251 P-3C have been authorized of which 235 have been delivered through the end of 1984. Assuming that the 41 P-3B heavyweight aircraft can be economically modified and their service life extended for another 10 to 12 years; and the 12 P-3C to be diverted to the electronic warfare mission are replaced; we still must buy 180 P-3 aircraft to meet our current force requirements.

The NRA has taken the total force requirement as shown in Figure 1, and the current inventory of both the Active and Reserve force and has projected the force composition by year through the year 2000, based on assumed production rate of nine aircraft per year. Our analysis took into account estimated normal peacetime attrition losses; the planned diversion of 12 P-3C aircraft to meet the critical needs of the electronic warfare EP-3 aircraft program; and the use of the older but still usable P-3As to be converted to TP-3A pilot training aircraft for the two training squadrons which would temporarily free up 12 P-3C aircraft. We also assumed for the analysis a service life extension program (SLEP) for the 41 heavyweight P-3Bs, a matter which is currently under study by the Navy. The results of our analysis (Figure 2) shows a decline in the reserve force structure in 1994. To more clearly show the impact we have illustrated that same shortfall on a squadron basis in Figure 3. As can be seen, we will no longer have sufficient aircraft for outfitting five squadrons in 1994, and in 1995 we lose still another squadron. I would point out that from now through the year 2000, based on a nine a year production rate, the MPA force will have essentially no aircraft in the backup (pipeline) category which is cause for alarm if conflicts at sea develop. The NRA wishes to highlight this particular

ASPECT OF THE PRODUCTION PROGRAM FOR TWO REASONS; FIRST TO SHOW THAT IT INTRODUCES RISK IN THE ABILITY OF THE RESERVES TO MEET THEIR OPERATIONAL COMMITMENTS IN A WARTIME SCENARIO, AND SECONDLY, TO SHOW THAT EVEN THOUGH EVERY AVAILABLE ASSET IS GOING TO THE SQUADRONS, THERE WILL STILL BE A SIGNIFICANT SHORTFALL WHICH WILL RESULT IN THE LOSS OF RESERVE SQUADRONS.

RECOMMENDATION

THE NRA STRONGLY RECOMMENDS MAINTAINING P-3C PRODUCTION AT NINE (9) AIRCRAFT PER YEAR.

U.S. NAVY
MARITIME PATROL AIRCRAFT
TOTAL FORCE REQUIREMENTS

	REQUIRED AIRCRAFT				
	ACTIVE		RESERVE		TOTAL
1. PRIMARY AIRCRAFT AUTHORIZED (PAA)					
24 SQUADRONS AT 9 A/C PER SQDN	216		–		216
13 SQUADRONS AT 9 A/C PER SQDN	–		117		117
2 ACTIVE FLEET REPLACEMENT SQDNS	40		0		40
3 RESERVE MASTER AUGMENTATION UNITS			9		9
RDT&E AIRCRAFT	17		0		17
TOTAL (PAA)	273	+	126	=	399
2. BACK-UP AIRCRAFT AUTHORIZED (BAA)					
ACTIVE	33				33
RESERVE			17		17
TOTAL AIRCRAFT AUTHORIZED	306	+	143	=	449
3. FORCE ASSURANCE AIRCRAFT	22		–		22
TOTAL AIRCRAFT REQUIRED	[illegible]	+	143	=	[illegible]

Figure 1

MPA FORCE LEVEL PROJECTION

PROCUREMENT RATE: 9 A/C PER YEAR

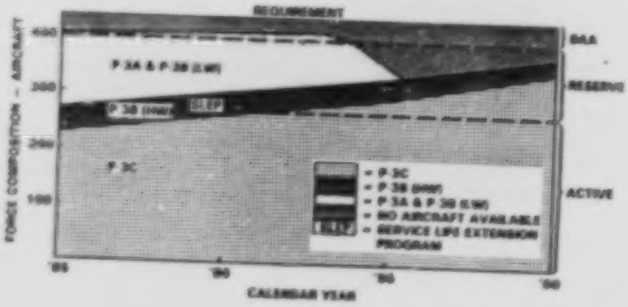


Figure 2

MPA PROJECTED SQUADRON COMPOSITION

PROCUREMENT RATE: 9 A/C PER YEAR

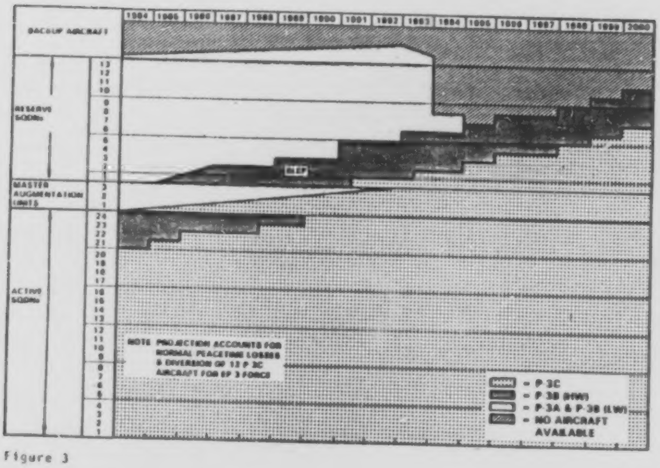


Figure 3

TOWED-ARRAY FOR THE NAVAL RESERVE FRIGATES

ONE OF THE MOST CRITICAL ASPECTS OF OUR MARITIME STRATEGY IS OUR ABILITY TO PROJECT AND SUSTAIN THE FULL RANGE OF COMBAT AND SUPPORT FORCES. CURRENT PLANNING REQUIRES THE MOVEMENT OF 95 PERCENT OF THE DRY CARGO AND 99 PERCENT OF THE FUEL BY SEA.

IN THE FACE OF THIS MASSIVE SEALIFT REQUIREMENT, IT IS WELL TO REMEMBER THAT THIS EFFORT WILL BE OPPOSED BY SOME 300 SOVIET SUBMARINES OF SUBSTANTIAL CAPABILITY AND ENDURANCE. GERMANY, WITH BUT 50 ATTACK SUBMARINES, WAS ABLE TO SINK DURING 1942 ALONE SOME 1,664 ALLIED SHIPS. OUR AVAILABLE INVENTORY OF MERCHANT SHIPS TODAY, INCLUDING THE NATIONAL DEFENSE RESERVE FLEET, CANNOT ABSORB THAT ATTRITION AND CARRY OUT ITS MISSION.

THE PRIME MISSION OF THE NAVAL RESERVE FORCE IS ASW MARITIME ESCORT. THE INTRODUCTION OF THE FFG-7 AND FF-1052 FRIGATES HAS PROVIDED THE RESERVE SURFACE FORCE WITH A MODERN STATE OF THE ART WEAPONS SYSTEM TO ACCOMPLISH THIS TASKING. THE NUMBER OF CONVOY ESCORT SHIPS AVAILABLE EVEN WHEN INCLUDING THOSE PROVIDED BY OUR NATO ALLIES, TOTALS ABOUT 60-65 ESCORTS. SINCE THE AVAILABLE SHIPS FALL SHORT OF THE REQUIREMENTS (CONGRESSIONAL BUDGET OFFICE ESTIMATES THE U.S. NAVY SHORTFALL AT APPROXIMATELY 100 SHIPS), THE NAVAL RESERVE ASSOCIATION BELIEVES HIGHEST PRIORITY MUST BE GIVEN TO MAXIMIZING EXISTING SHIP CAPABILITY. THIS INCLUDES PROVIDING RESERVE FORCE FRIGATES WITH BOTH TOWED-ARRAY SONAR AND A FULL COMPLEMENT OF TWO (2) SH-2 LAMPS I HELICOPTERS. THE SH-2 LAMPS HELICOPTER ISSUE HAS BEEN DISCUSSED IN ANOTHER SECTION.

SECRETARY OF DEFENSE WEINBERGER IN HIS FY-86 ANNUAL REPORT TO CONGRESS ADDRESSES THE TOWED-ARRAY ISSUE AS FOLLOWS:

> "TACTICAL TOWED-ARRAY SONAR (TACTAS)
>
> THE LONG-RANGE DETECTION CAPABILITIES OF TACTAS WILL SUBSTANTIALLY ENHANCE THE ASW CAPABILITY OF OUR SURFACE COMBATANTS, PROVIDING AN ESSENTIAL COUNTER TO THE INCREASED RANGE OF WEAPONS CARRIED BY SOVIET SUBMARINES. THE AN/SQR-18 TOWED-ARRAY SONAR SYSTEM IS BEING DEPLOYED ABOARD ALL 46 OF THE FF-1052 FRIGATES OPERATED BY ACTIVE AND RESERVE UNITS, AND ABOARD ALL OF THE NAVAL RESERVE'S FFG-7 FRIGATES. THE
>
> AN/SQR-19, A MORE ADVANCED TOWED-ARRAY SONAR SYSTEM NOW IN THE FINAL STAGES OF DEVELOPMENT, WILL BE INSTALLED LATER IN THE DECADE ON DD-963, DDG-993, AND DDG-51 DESTROYERS AND ON CG-7 CRUISERS AND ACTIVE FFG-7 FRIGATES. WE ARE INTRODUCING IMPROVEMENTS TO BOTH SYSTEMS TO MAINTAIN THEIR DETECTION CAPABILITIES AGAINST SOVIET SUBMARINES."

CONTINUED CONGRESSIONAL SUPPORT FOR PROCUREMENT OF TACTICAL TOWED-ARRAY SONAR FOR RESERVE FORCE FRIGATES IS CONTAINED IN THE FOLLOWING FY-86 REPORT LANGUAGE:

> "AN/SQR-18A TACTICAL TOWED-ARRAY SONAR (TACTAS)
>
> THE NAVY PRESENTLY HAS SHIPS OF THE FF-1052 AND FFG-7 CLASSES CONFIGURED TO BE LAMPS MK I CAPABLE. BEING A REACTIVE SYSTEM, THE LAMPS MK I DEPENDS ON THE AN/SQR-18A TACTICAL TOWED-ARRAY SONAR (TACTAS) TO MAKE THE INITIAL SUBMARINE DETECTION. NAVY PLANNING HAS THUS INCLUDED YEARLY PROCUREMENT OF THE TACTAS TO PROVIDE THIS VITAL CAPABILITY TO THESE CLASSES OF SHIPS. THE COMMITTEE HAS GIVEN ITS WHOLEHEARTED SUPPORT TO THIS PROGRAM IN THE PAST, IS DOING SO CURRENTLY, AND EXPECTS TO DO SO IN THE FUTURE. THE COMMITTEE THEREFORE RECOMMENDS THAT THE NAVY CONTINUE TO PLAN FOR A CONTINUING ORDERLY PROCUREMENT OF THE AN/SQR-18A IN THE OUT-YEARS. THIS ACTION WILL ENSURE THAT WHEN SHIPS OF THESE TWO CLASSES MIGRATE TO THE NAVAL RESERVE FORCE, THEY WILL BE CAPABLE OF PERFORMING THEIR ASW ESCORT ROLE AS REQUIRED."

LAMPS MK I HELICOPTERS

TWO NAVAL RESERVE SQUADRONS, HSL-84 AT NAS NORTH ISLAND, CA AND HSL-74 AT NAS SOUTH WEYMOUTH, MA HAVE RECEIVED THE SH-2F LAMPS MK I HELICOPTER. THIS YEAR, HSL-94 AT NAS WILLOW GROVE, PA WILL RECEIVE THE FIRST OF THEIR SH-2S. CURRENT NAVY PLANS CALL FOR EACH OF THESE THREE (3) RESERVE SQUADRONS TO INITIALLY BE EQUIPPED WITH EIGHT (8) LAMPS MK I HELICOPTERS.

THE MISSION OF THESE THREE (3) SQUADRONS WILL BE TO PROVIDE LAMPS AIRCRAFT DETACHMENTS FOR THE FRIGATES OF NAVAL RESERVE FORCES, FF-1052S AND FFG-7S, AND DURING PERIODS OF MOBILIZATION TO PROVIDE THE SAME LAMPS CAPABILITY FOR THE COAST GUARD WHEC CUTTERS.

THE RESERVE FRIGATES WITH THEIR LAMPS HELICOPTERS ARE AN INTEGRAL PART OF THE U.S. NAVY'S TOTAL ASW CAPABILITY. OPERATING EQUIPMENT IDENTICAL TO THAT IN THE ACTIVE FORCE, THIS ASW SYSTEM IS A PERFECT EXAMPLE OF SECRETARY LEHMAN'S CONCEPT OF "HORIZONTAL INTEGRATION" OF ACTIVE AND RESERVE COMPONENT FORCES.

LAST YEAR, THE NRA RECOMMENDED THAT CONGRESS PROVIDE THE NAVAL RESERVE FORCES WITH ENOUGH LAMPS MK I HELICOPTERS TO PROVIDE A SECOND LAMPS MK I FOR THE

EIGHTEEN (18) FFG-7S PROGRAMMED FOR THE NAVAL RESERVE, AND WHICH ARE CAPABLE OF EMBARKING TWO (2) HELICOPTERS.

THE NRA POINTED OUT THAT WHEN THE COST OF THE FRIGATES AND THEIR ASW EQUIPMENT IS CONSIDERED, FOR LESS THAN A 3% INCREASE IN INVESTMENT AND OPERATING COSTS, THE FORCE COMMANDER DURING WARTIME COULD REALIZE A 30% TO 50% INCREASE IN CAPABILITY BY HAVING THE SECOND HELICOPTER EMBARKED.

THE CONGRESS GENERALLY ENDORSED THE NRA ROUND-OUT POSITION FOR THE SECOND LAMPS HELICOPTER. THE NAVY'S FY 1987 BUDGET PROVIDES FOR SIX (6) ADDITIONAL SH-2F HELICOPTERS TO COVER THE FRIGATES ASSIGNED TO THE NAVAL RESERVE FORCE BY THE SECRETARY OF THE NAVY. HOWEVER, EVEN WITH THIS BUY THERE WILL BE INSUFFICIENT LAMPS MK I ASSETS TO PROVIDE THE SECOND HELICOPTER FOR THE RESERVE FFG-7S. (SEE TABLE BELOW.)

1995 LAMPS MK I RESERVE REQUIREMENTS

TYPE OF SHIP	NO. OF SHIPS	NO. OF EMBARKATION SLOTS
FFG-7	18	36
FF-1052	8	8
TOTAL	26	44

THE NAVY HAS STATED THAT THERE WILL BE SUFFICIENT SH-2F ASSETS AVAILABLE IN 1995 TO FULFILL ALL ACTIVE NAVY REQUIREMENTS AND TO PROVIDE THE RESERVES WITH ONLY ONE (1) LAMPS MK I PER SHIP. ALTHOUGH NO ADVANCED PROCUREMENT FOR THE SH-2F HAS BEEN INCLUDED IN THE FY 1987 BUDGET SUBMISSION, THE NRA UNDERSTANDS THAT THE NAVY'S CURRENT PLANS ARE TO TERMINATE THE SH-2F IN 1988.

THE NAVAL RESERVE ASSOCIATION BELIEVES CONTINUED PRODUCTION OF LAMPS I SH-2F IS REQUIRED BY FY-88 AND BEYOND TO MAXIMIZE THE CAPABILITY OF ASSIGNED NAVAL RESERVE FORCE FFG-7.

Mr. HUTTO. The Subcommittee on Readiness stands adjourned until 2 p.m., Tuesday, March 4.

[Whereupon, at 3:50 p.m., the subcommittee recessed, to reconvene at 2 p.m., Tuesday, March 4, 1986.]

DEPARTMENT OF DEFENSE EFFORTS TO MEASURE MILITARY READINESS AND CAPABILITIES

House of Representatives,
Committee on Armed Services,
Readiness Subcommittee,
Washington, DC, Wednesday, March 5, 1986.

The subcommittee met, pursuant to call, at 2:06 p.m., in room 2216, Rayburn House Office Building, Hon. Dan Daniel (chairman of the subcommittee) presiding.

STATEMENT OF HON. DAN DANIEL, A REPRESENTATIVE FROM VIRGINIA, CHAIRMAN, READINESS SUBCOMMITTEE

Mr. Daniel. The subcommittee will be in order.

This afternoon the subcommittee begins a series of four hearings on Department of Defense efforts to improve its capability to measure readiness and military capability.

Today, we will hear from Mr. Henry W. Connor, Ms. Julia Denman, and Mr. Brew from the General Accounting Office, followed by Mr. Michael Rich of the Rand Corp.

Tomorrow, we will receive testimony from the Navy and Marine Corps witnesses and next week we will finish up with the testimony from the Army and the Air Force, Office of the Secretary of Defense, and Joint Chiefs of Staff.

The grist for today's hearing is a GAO report directed by the committee in last year's authorization report.

At this point, Ms. Denman, I want to express appreciation to you for the enormous help that you have given us. We have not studied the report in detail, but enough to know that you have done an exceptionally fine job, and we appreciate it.

Basically, the committee did not feel that DOD had answered the mail last March when it told Congress that C ratings provided an adequate basis for congressional efforts to track readiness. Consequently, the committee asked GAO to review the status of DOD efforts to measure changes in readiness and military capability.

[GAO report appears on page 715.]

More appropriately, however, these hearings should be viewed as a logical extension of the readiness hearings the subcommittee has held over the past 2 years. In that larger context, they are part of a common thread of congressional concern and interest in readiness that dates back to when this subcommittee was in the discussion stages. At that time, one of the most compelling arguments for the annual authorizations of O&M was the desire to adequately fund readiness.

From the outset, we recognized that one of the major difficulties in addressing readiness requirements was the absence of a means to relate readiness to funding decisions. That is why Congress directed DOD to develop such a mechanism in 1978 and that is why Congress has reiterated that demand almost every year since that time.

Nevertheless, 8 years later, Congress is still waiting and there is little assurance that this vigil is nearing an end.

Every time that Congress has raised this issue, it has been told that such a system was beyond the current state-of-the-art. Invariably we were told that DOD was hard at work on the problem and new methodologies were showing promise. If we would just be patient, the measurement system we desired would be forthcoming.

If I sound familiar with this litany, it is because Mr. Whitehurst and I have been charter members on what is beginning to look like a search for a modern holy grail. In 1978, we were both members of the NATO Subcommittee and instrumental in enacting a NATO report. In 1980, we were both members of the Readiness Panel of the Procurement Subcommittee which paved the way for the establishment of this subcommittee. Suffice it to say that we have been pretty close to this situation.

Still, I do not want to appear unduly critical of the Department. Attempting to come up with a comprehensive system capable of measuring readiness and military capabilities and relating them to changes in funding levels ranks as one of the most difficult tasks imaginable. Attempting to do so in a time marked by unparalleled modernization, continuous force structure changes, and the largest peacetime military buildup in our history is a fair piece of work.

I would be the first to admit that Congress has not made this task any easier. One of the biggest indoor sports on Capitol Hill in recent years has been to beat up the Department of Defense on the basis of internal readiness data leaked to the press.

Collectively, these affairs have certainly contributed to the erosion of congressional support for defense spending. Under the circumstances, it is entirely understandable that DOD does not appear to place a very high priority on the development of a readiness measurement system for Congress. It is sort of like being asked to bring the rope to your own hanging.

The sad fact remains, however, that Congress does not have an adequate means to measure readiness and military capabilities or for evaluating the impact of funding adjustments. In an era of increasing budgetary constraints in the shadow of Gramm-Rudman, this is not a comforting thought.

In my opinion, the danger of misuse of readiness data pales beside the certain damage to national security that will occur if Congress does not have the tools to make responsible judgments about the defense budget.

I recognize that such an effort involves a closer partnership with the Department of Defense in the development and use of improved measures of readiness and military capability.

We have to be willing to indicate what kind of measures we want. If we are to come up with a measurement system that is straightforward enough to be relevant to Congress, we have to recognize some important variables will not be addressed.

In sum, we are going to have to be realistic enough to understand that we are striving for a better system and not a perfect one.

I hope that these hearings will serve at a catalyst for a new dialog with the Department of Defense, leading to the development of that better system. I hope they will point the way for a tangible improvement in Congress' ability to relate resources to military capability and develop responsible alternatives. Despite the major difficulties involved, I am confident that a better measurement system for Congress is doable. Certainly, it is long over due.

Mr. Whitehurst, I apologize for the length of that statement but I though it was necessary in order to set the proper course for this series of hearings. I would like to recognize the gentleman at this time.

STATEMENT OF HON. G. WILLIAM WHITEHURST, A REPRESENTATIVE FROM VIRGINIA, RANKING MINORITY MEMBER, READINESS SUBCOMMITTEE

Mr. WHITEHURST. Thank you, Mr. Chairman. I have one here that almost matches it in length. I am going to revise it as I go along.

I would like to add my emphasis of the opening remarks of the chairman, because the series of hearings which we are beginning today represent the subcommittee's continuing interest in the readiness of our military forces.

This year our readiness hearings will take a somewhat different tack than those in the past 2 years. The focus of the hearings will be the measurement of readiness, the military capabilities, as the chairman has indicated.

This approach examines an extremely important issue, and it assumes even greater significance when one considers its relationship and other current and much discussed topics.

So the subject is best described by the question: What have we gotten and what are we getting for the money we spend on defense?

I am delighted, of course, to have these distinguished witnesses with us, both from GAO and Mr. Rich, of course, from the Rand Corp.

Mr. Chairman, the series of hearings we are beginning today will be of enormous importance. The readiness and capabilities of our military forces represent more than just a good Army, Navy, and Air Force. It represents the commitment of our country to maintain the wherewithal to protect and safeguard everything the United States stands for. All those ideas and values we hold precious can only survive so long as we have the ability to guarantee them.

As an intelligent people, it is not enough to merely believe we are ready and capable of defending our principals. We must know that our readiness and capability is real. Because knowing what that readiness and capability is, we can make the choices and decisions necessary to maintain and improve whatever condition or position we feel is required.

It is axiomatic that we have to have the ability to measure our readiness and military capability. I recognize and understand that this ability is no easy matter. The problems run the gamut of a very complex issue. They range from understanding exactly what it is we want to measure to a method or system we measure by, and to what use we make of the measurements.

There are some obvious questions that come to mind when we discuss the subject of the ability to measure readiness and military capability. How ready and capable are we today compared to some point in the past? Are we ready enough, and for what threat? How has our readiness changed in the recent past? What is the relationship between the change, what we have done to bring about that change, and the circumstances affecting that change. Can we accurately define the relationship between readiness and resources?

The point I am trying to make is that there is a very wide variety of issues involved in the ability to measure readiness and military capability. I think it is fairly safe to assume that there is no single yardstick by which we can measure that variety of readiness related issues.

In fact, I sometimes wonder whether we even know how many yardsticks it is going to take, and that is one of the points we hope our witnesses will elaborate on. I know we are approaching a very difficult and sensitive subject. How we measure readiness and military capabilities has many ramifications, especially in these days of defense budget restraint and deficit reduction. Nevertheless, it is a subject we simply have to get a handle on.

Mr. Chairman, to conclude my remarks I would like to recount an instance that is attributed to Mark Twain. It goes something like this. "I can't see why the Government should appropriate more money for battleships," a certain well-know pacifist remarked to Mark Twain one day. "What we need for peace is arbitration, not battleships. What do you think of it?" "It reminds me of two big mean looking dogs that met one day down in Missouri," recounted the humorist. "They regarded each other in the most ferocious manner, each carefully sizing the other up, but neither daring to fight. Then one of them made the mistake of opening his mouth, showing that he had no teeth. When he did that, the other dog bit the devil out of him."

Mr. Chairman, when we talk about the readiness and capability of the military forces today, we are in effect talking about their ability to whip the devil out of an adversary. And when we discuss that ability we are in effect talking about the strength of the teeth in those forces. It is important that we know just how strong those teeth are and what we need to make them even stronger. We simply cannot afford to have ferocious looking forces that have no teeth when the going gets tough. It is critical that we have the means to measure the readiness and capabilities of our Military Forces so that we can keep those teeth strong and sharp.

And I thank you, Mr. Chairman.

Mr. **Daniel**. Thank you, Mr. Whitehurst. That was a very appropriate statement.

So with that, we welcome the pathfinders, and Mr. Connor, you may proceed as you desire.

STATEMENT OF HENRY W. CONNOR, SENIOR ASSOCIATE DIRECTOR, GENERAL ACCOUNTING OFFICE, ACCOMPANIED BY JULIA DENMAN, SENIOR EVALUATOR, GENERAL ACCOUNTING OFFICE, AND THOMAS J. BREW, ASSOCIATE DIRECTOR, GENERAL ACCOUNTING OFFICE

Mr. CONNOR. Thank you, Mr. Chairman.

Mr. Chairman, Congressman Whitehurst, we appreciate the opportunity to appear before you today to discuss our views on the Department of Defense [DOD] efforts to measure military capability. As you know, military capability is a broad term which DOD has divided into four subsets or pillars. These pillars are: readiness, the ability of military forces, weapons systems or equipment to deliver the output for which they were designed; sustainability, the staying power of military forces, weapon systems, and equipment; modernization, the technical sophistication of forces, weapons systems, and equipment; and force structure, the numbers, size, and composition of units constituting the military forces.

In recent years, there has been much congressional interest in determining what increases in military capability have resulted from previous defense budget increases and in identifying what future capability improvements can be expected from planned military expenditures. This interest has promoted considerable DOD activity in trying to better define and measure military capability, including, for example, in 1984, the Secretary of Defense created the Strategic Plans and Resource Analysis Agency within the Joint Chiefs of Staff [JCS]. This agency was tasked with analyzing how DOD program and budget proposals impact U.S. war-fighting capability and identifying service resource requirements which might be combined. This activity is currently developing analytical tools which they believe will enable them to achieve these objectives.

Also in 1984, the Secretary of Defense established a readiness task force chaired jointly by JCS and Office of the Secretary of Defense [OSD] representatives. The group was directed to try to develop models which relate the capability impacts of alternative resource inputs and logistics support measures.

The task force initially focused on the Unit Status and Identity Reporting System and made recommendations for system improvements to the Secretary of Defense. As a result of an OSD realignment the task force became inactive before achieving its assigned objectives.

In 1985, the Joint Chiefs of Staff Director of Operations was tasked with compiling data, such as increases in modernized equipment, from the services and formulating the Military Status Report. This report is a compilation of various service-selected indicators of military capability summarized to show increases in military capability since 1981.

Later in 1985, the Deputy Secretary of Defense initiated a new steering group under the OSD Director of Program Analysis and Evaluation. This group was also tasked with developing a set of measures of military capability.

However, the group's first task was to review the JCS Military Status Report. Having submitted their analysis to the Secretary of Defense in early January 1986, the group is currently reviewing several capability assessment systems being developed by other DOD activities.

I would now like to briefly discuss some of the systems and models that DOD and the services are developing and, in some cases, using to attempt to measure aspects of military capability.

One indicator of the first pillar of military capability, readiness, is the Unit Status and Identity Reporting System referred to as UNITREP. It is a DOD-wide system which reports the inventory status and condition of both people and equipment at the unit level.

However, as stated in the DOD Force Readiness Report submitted to Congress in February 1985, the complex interaction between the various readiness components and the difficulty of quantifying the relative importance of each has precluded finding a suitable quantitative measure of overall force readiness.

Moreover, UNITREP is implemented differently by each of the services, and therefore, cannot be used for accurate interservice comparisons. For example, implementing instructions provide that all services, in determining air crew readiness, should measure against their wartime crew level requirements.

The Navy, however, has decided to measure against peacetime authorized levels. The Navy believes units should not have to lower readiness reporting levels in both the training and personnel resource ratings if for budgetary reasons air crews cannot be provided at the wartime levels.

Even intraservice comparisons of UNITREP data may be misleading. For example, all services but the Navy allow a commander to subjectively raise or lower the unit's overall readiness if the commander believes the revised rating is a more accurate reflection of the unit's true readiness.

Service officials told us that commanders, in making their subjective changes, may be mistaken or overly optimistic in their judgments, because of concern that the ratings reflect on their individual performance.

On the other hand, commanders might be pessimistic because of a desire to highlight perceived problems and hopefully obtain additional resources. One way to minimize the affects of subjective changes would be to prepare two ratings, one which includes the commander's subjective assessment and one which does not.

Additional UNITREP implementation differences which affect comparisons and some additional suggestions for improving UNITREP data are provided in our report, "Measuring Military Capability—Progress, Problems, and Future Direction," which was issued to Chairman Aspin on February 24, 1986.

The second pillar, sustainability, is often linked with readiness when attempts are made to measure the impact of logistics resources on overall military capability. Various DOD activities have initiated approaches which try to relate logistics resource inputs to mission objectives. These approaches often involve developing analytical models which are designed to evaluate the impact of the availability of various logistics resources on the military forces' ability to perform required combat operations.

Many of the analytical systems developed thus far focus on the relationship of spare parts to weapon systems availability. For example, given a certain level of spare parts, how many sorties can be flown? More recent efforts have focused on how the availability of other resources such as petroleum, oil, lubricants, maintenance, manpower, and munitions effect readiness and sustainability.

Military managers are attempting to answer the question of how defense dollars should be allocated among the various logistics resource areas in order to obtain a desired level of readiness and sustainability. That is, what mix of resources can produce the greatest amount of war-fighting capability, given some finite level of funding and what planned military operations or exercises can be achieved given existing and planned investments in various resources?

Providing answers to these questions has proven to be a difficult and complex task. The Congress has directed that DOD develop "quantifiable and measurable readiness requirements" and project the effects of appropriations requested on material readiness. While DOD has devoted considerable activity to this objective, it has not yet been able to fully develop the capability to make such assessments.

The third and fourth pillars of military capability, modernization and force structure, are subjects which have been dealt with by various elements of OSD, JCS, and the military services which are charged with estimating and assessing U.S. and foreign military capability and with identifying future U.S. military requirements.

Traditionally, the tools used for these assessments were tabulations of the types and quantities of weapons possessed by U.S. Forces and, in some cases, comparisons were made with intelligence estimates of the comparable equipment held by other national forces.

Since the mid-1960's, an assortment of DOD and intelligence agencies have tried to find more complete measures than tabulating forces and equipment. However, there currently is no real consensus as to what constitutes an acceptable measure.

Thus, various military organizations develop assessment tools for their own use. Our February 1986 report describes several existing and developmental systems designed for this purpose within each of the services, the JCS and the OSD. The multiplicity of systems suggests that evaluating the impact of force structure and modernization changes on overall military capability is also a most difficult task.

While there has been much activity throughout DOD to develop improved analytical tools for evaluating military capability, the credibility of these models has been the subject of much discussion. One of the major problems deals with assumptions which are made in developing the models. Despite the correctness of what is modeled, inaccurate or incomplete assumptions can invalidate the effectiveness of the modeling output.

Some military analysts we interviewed cited cases showing that very different results are produced depending on assumptions. While model validation, if properly accomplished, will generally identify erroneous model assumptions, OSD officials told us that the various weapons-scoring systems currently being used within DOD have not been adequately validated.

DOD and contractor officials told us that a primary reason for inadequate model validation is that necessary data is often unavailable or is of questionable validity.

In addition, we have found that the so-called intangible human factors, such as leadership, morale, and skill levels, are generally not treated in existing capability assessment models. However, in the case of air-to-air and ground combat, extensive empirical data indicate that human interactions are statistically more important than aircraft or combat vehicle performance, avionics, weaponry, or other test variables included in the combat models.

In conclusion, it is clear that at the present time, measuring capability in any one of the pillars, much less the overall capability of U.S. forces is a very complex task due to the number of tangible and intangible variables. While several models which attempt to measure various aspects of war-fighting capability are being developed, the multiplicity of models and approaches suggests that there is no general consensus regarding what constitutes an acceptable measure.

The current state of military capability forecasting is such that only inferences can be drawn from the variety of systems and models being used to forecast aspects of military capability.

For the past several years a variety of DOD activities have continued working on developing reporting systems and/or models which can evaluate the state of readiness, sustainability, modernization, and force structure.

During this time, there has been no consistent focal point for coordinating the numerous activities in this area. It may be useful for DOD to identify such a focal point for coordinating future activities in the capability assessment area, as well as for interacting with the Congress.

Mr. Chairman, that concludes my prepared statement, and we would be happy to respond to any questions you have.

PREPARED STATEMENT OF HENRY W. CONNOR

Mr. Chairman and members of the subcommittee, we appreciate the opportunity to appear before you today to discuss our views on Department of Defense [DOD] efforts to measure military capability. As you know, military capability is a broad term which DOD has divided into four subsets or pillars. These pillars are:

Readiness: the ability of military forces, weapon systems or equipment to deliver the output for which they were designed.

Sustainability: the staying power of military forces, weapon systems, and equipment.

Modernization: the technical sophistication of forces, weapon systems, and equipment.

Force structure: the numbers, size, and composition of units constituting the military forces.

In recent years, there has been much congressional interest in (1) determining what increases in military capability have resulted from previous defense budget increases and (2) identifying what future capability improvements can be expected from planned military expenditures. This interest has prompted considerable DOD activity in trying to better define and measure military capability, including:

In 1984, the Secretary of Defense created the Strategic Plans and Resource Analysis Agency within the Joint Chiefs of Staff (JCS). This agency was tasked with analyzing how DOD program and budget proposals impact U.S. was-fighting capability and identifying service resource requirements which might be combined. This activity is currently developing analytical tools which they believe will enable them to achieve these objectives.

Also in 1984, the Secretary of Defense established a readiness task force chaired jointly by JCS and Office of the Secretary of Defense [OSD] representatives. The group was directed to try to develop models which relate the capability impacts of alternative resource inputs and logistics support measures. The task force initially focused on the Unit Status and Identity Reporting System and made recommendations for system improvements to the Secretary of Defense. As a result of an OSD realignment the task force became inactive before achieving its assigned objectives.

In 1985, the Joint Chiefs of Staff Director of Operations was tasked with compiling data, such as increases in modernized equipment, from the services and formulating the Military Status Report. This report is a compilation of various service-selected indicators of military capability summarized to show increases in military capability since 1981.

Later in 1985, the Deputy Secretary of Defense initiated a new steering group under the OSD Director of Program Analysis and Evaluation. This group was also tasked with developing a set of measures of military capability. However, the group's first task was to review the JCS Military Status Report. Having submitted their analysis to the Secretary of Defense in early January 1986, the group is currently reviewing several capability assessment systems being developed by other DOD activities.

I would now like to briefly discuss some of the systems and models that DOD and the services are developing and, in some cases, using to attempt to measure aspects of military capability.

UNIT STATUS AND IDENTITY REPORTING SYSTEM

One indicator of the first pillar of military capability—readiness—is the Unit Status and Identity Reporting System referred to as UNITREP. It is a DOD-wide system which reports the inventory status and condition of both people and equipment at the unit level. However, as stated in the DOD Force Readiness Report submitted to Congress in February 1985, the complex interaction between the various readiness components and the difficulty of quantifying the relative importance of each has precluded finding a suitable quantitative measure of overall force readiness.

Moreover, UNITREP is implemented differently by each of the services and, therefore, cannot be used for accurate interservice comparisons. For example, implementing instructions provide that all services, in determining aircrew readiness, should measure against their wartime crew level requirements. The Navy, however, has decided to measure against peacetime authorized levels. The Navy believes units should not have to lower readiness reporting levels in both the training and personnel resource ratings if for budgetary reasons aircrews cannot be provided at the wartime levels.

Even intraservice comparisons of UNITREP data may be misleading. For example, all services but the Navy allow a commander to subjectively raise or lower the unit's overall readiness if the commander believes the revised rating is a more accurate reflection of the unit's true readiness. Service officials told us that commanders, in making their subjective changes, may be mistaken or overly optimistic in their judgments, because of concern that the ratings reflect their individual performance. On the other hand, commanders might be pessimistic because of a desire to highlight perceived problem areas and hopefully obtain additional resources. One way to minimize the affects of subjective changes would be to prepare two ratings, one which includes the commander's objective assessment and one which does not.

Additional UNITREP implementation differences which affect comparisons and some additional suggestions for improving UNITREP data are provided in our report "Measuring Military Capability—Progress, Problems, and Future Direction" (GAO/NSIAD-86-72) which was issued to Chairman Aspin on February 24, 1986.

READINESS AND SUSTAINABILITY

The second pillar, sustainability, is often linked with readiness when attempts are made to measure the impact of logistics resources on overall military capability. Various DOD activities have initiated approaches which try to relate logistics resource inputs to mission objectives. These approaches often involve developing analytical models which are designed to evaluate the impact of the availability of various logistics resources on the military forces' ability to perform required combat operations.

Many of the analytical systems developed thus far focus on the relationship of spare parts to weapon systems availability. For example, given a certain level of spare parts, how many sorties can be flown? More recent efforts have focused on how the availability of other resources such as petroleum, oil, lubricants, maintenance, manpower, and munitions affect readiness and sustainability. Military managers are attempting to answer the question of how defense dollars should be allocated among the various logistics resource areas in order to obtain a desired level of readiness and sustainability. That is, what mix of resources can produce the greatest amount of war-fighting capability, given some finite level of funding and what planned military operations or exercises can be achieved given existing and planned investments in various resources?

Providing answers to these questions has proven to be a difficult and complex task. The Congress has directed that DOD develop "quantifiable and measurable readiness requirements" and project the effects of appropriations requested on material readiness. While DOD has devoted considerable activity to this objective, it has not yet been able to fully develop the capability to make such assessments.

MODERNIZATION AND FORCE STRUCTURE

The third and fourth pillars of military capability—modernization and force structure—are subjects which have been dealt with by various elements of OSD, JCS, and the military services which are charged with estimating and assessing U.S. and foreign military capability and with identifying future U.S. military requirements. Traditionally, the tools used for these assessments were tabulations of the types and quantities of weapons possessed by U.S. forces and, in some cases, comparisons were made with intelligence estimates of the comparable equipment held by other national forces.

Since the mid-1960's, an assortment of DOD and intelligence agencies have tried to find more complete measures than tabulating forces and equipment. However, there currently is no real consensus as to what constitutes an acceptable measure. Thus, various military organizations develop assessment tools for their own use. Our February 1986 report describes several existing and developmental systems designed for this purpose within each of the services, the JCS and the OSD. The multiplicity of systems suggests that evaluating the impact of force structure and modernization changes on overall military capability is also a most difficult task.

VALIDATION

While there has been much activity throughout DOD to develop improved analytical tools for evaluating military capability, the credibility of these models has been the subject of much discussion. One of the major problems deals with assumptions which are made in developing the models. Despite the correctness of what is modeled, inaccurate or incomplete assumptions can invalidate the effectiveness of the modeling output.

Some military analysts we interviewed cited cases showing that very different results are produced depending on assumptions. While model validation, if properly accomplished, will generally identify erroneous model assumptions, OSD officials told us that the various weapons-scoring systems currently being used within DOD have not been adequately validated. DOD and contractor officials told us that a primary reason for inadequate model validation is that necessary data is often unavailable or is of questionable validity.

In addition, we have found that the so-called intangible human factors, such as leadership, morale, and skill levels, are generally not treated in existing capability assessment models. However, in the case of air-to-air and ground combat, extensive empirical test data indicate that human interactions are statistically more important than aircraft or combat vehicle performance, avionics, weaponry, or other test variables included in combat models.

CONCLUSIONS

In conclusion, it is clear that at the present time, measuring capability in any one of the pillars, much less the overall capability of U.S. forces is a very complex task due to the number of tangible and intangible variables. While several models which attempt to measure various aspects of war-fighting capability are being developed, the multiplicity of models and approaches suggests there is no general consensus regarding what constitutes an acceptable measure. The current state of military capability forecasting is such that only inferences can be drawn from the variety of systems and models being used to forecast aspects of military capability.

For the past several years a variety of DOD activities have continued working on developing reporting systems and/or models which can evaluate the state of readiness, sustainability, modernization and force structure. During this time, there has been no consistent focal point for coordinating the numerous activities in this area. It may be useful for DOD to identify such a focal point for coordinating future activities in the capability assessment area, as well as for interacting with the Congress.

Mr. Chairman, that concludes my prepared statement. We would be happy to respond to any questions.

Mr. DANIEL. Thank you, Mr. Connor.

Mr. Whitehurst.

Mr. WHITEHURST. Yes, I have a question. It is a good statement, Mr. Connor, it really is, it is very helpful, and as a matter of fact, it is something of a revelation to me.

JCS did a report and apparently nothing came of it. Is the JCS capable of doing this kind of study, the staff, do you think?

Mr. CONNOR. The staff, no, not without considerable input from the service.

Mr. WHITEHURST. You don't think the JCS staff could undertake something like this?

Mr. CONNOR. I think the JCS is a likely candidate for the focal point that is needed in DOD, but I think they are going to need the cooperation of the services in giving them the input that is needed.

Mr. WHITEHURST. Does the JCS have the authority to require that information from them?

Mr. CONNOR. Yes, they do, they are supposed to, let me put it that way.

Mr. WHITEHURST. All right. I have got a little method to my madness here frankly. We passed a JCS reform package in the House last year. A similar bill or perhaps even more far-reaching one is pending in the Senate and even encompasses the entire Department of Defense as well as the JCS. I don't want to get into that this afternoon, but I think you raise some other cogent points here, and it would just seem to me that that would be the primary organization, since it manages the military forces to get this information and to assess it and then to act upon it.

Mr. CONNOR. Sir, I guess the reason I am hesitant in giving you a direct answer is that as you point out, a specific agency, the Strategic Plans and Resource Analysis Agency was set up within the Joint Chiefs to do exactly what we are talking about, and this was in 1984, and to date they have not done an awful lot.

Mr. WHITEHURST. It really is aggravating and frankly it is unconscionable. It is for their own good, for heaven's sake, their institution, they should provide this information.

Mr. CONNOR. Yes, sir, and I think as Chairman Daniel pointed out in his opening statement, in the upcoming years when budgets are going to be tight, it really is to their benefit to do something like that.

Mr. WHITEHURST. Precisely so, because then you are into the allocation of resources.

Ms. Denman, did you want to say something? Feel free to speak up.

Ms. DENMAN. Thank you, Mr. Whitehurst.

I wanted to comment on the fact that there are other activities within the Joint Chiefs of Staff that also have important roles. For example, the commanders in chief of the unified and specified commands [CINC's] are somewhat independent but are also an operative body of JCS, and because they are responsible for the operational plans, would have access to much information that is needed for this kind of assessment.

While we were not able to get information about the development of such tools, it is our understanding that the CINC's are implementing a new program which they hope will make them better able to plan and interface with the budget process.

They are implementing a rather extensive computer system and a number of independent developmental projects which should help them better participate in this process.

Mr. WHITEHURST. That is very encouraging to hear. As a matter of fact, it was the initiative of this body, of the committee of which the subcommittee is a part, to increase the role of the CINC's in the JCS that was included in that bill, and I suspect probably led to the kind of progress that you mentioned.

So I think we have made some progress, but they have certainly have had to be prodded into it and it distresses me to see this condition. It truly does. I mean, it is so self-evident that they should moving on this and make it a priority. Get the facts, make the determination and then, as you say, in a climate that we are facing right now, of knowing what best to allocate to resources. But not this all-right-Jackson syndrome over there.

Did you want to say something else?

Ms. DENMAN. I wanted to point out, sir, that although the Strategic Plans and Resource Analysis Agency was created at the request of the Congress to improve the capability of the Chairman of the Joint Chiefs of Staff to make contributions to the budget process, they really have not had the tools that they would need to provide that kind of input.

While it is my understanding that there are a number of developmental projects underway, they have, I think about 40 individuals within this particular activity.

Mr. WHITEHURST. Why don't they come ask us, then?

Ms. DENMAN. I am not privileged to have that kind of information, Mr. Whitehurst.

Mr. WHITEHURST. No, I know. That was a rhetorical question on my part.

Thank you very much. Thank all of you. You have been good witnesses.

Thank you, Mr. Chairman.

Mr. DANIEL. On page 13 of your report, you talk about uniformity, or lack of same among the services. Why does there have to be uniformity?

Mr. CONNOR. I guess there really doesn't. The need for uniformity would only exist if somebody such as the JCS or the Secretary of Defense wanted to establish readiness trends or make interservice comparisons of the readiness of the services.

Also, another reason, although I am not sure of the validity of it, is that UNITREP is right now about the only measurement system in existence that the public knows about. Non-DOD personnel are continually using UNITREP in terms of a measurement system, and there is no way that it even comes close to representing that if you don't have uniformity among services.

Mr. DANIEL. Did you all look at the C ratings?

Mr. **Connor**. Yes, sir, we did.

Mr. **Daniel**. Comment on the C ratings, if you will. What do they mean? Not much?

Mr. **Connor**. With some qualifications, C ratings are a compilation of four pillars. You get a C rating for the number of people you have in the unit. You get a C rating for how well they are trained. You get a C rating for quantities of equipment you have in the unit. You get a C rating for the condition of that equipment, and then you get an overall C rating that represents the lowest C rating of those four pillars.

And if you have an objective way of measuring personnel training, and if you have an objective way of measuring equipment condition, and if the overall rating wasn't subjected to the commander's subjective upgrading, they might be meaningful, but the problems we have found with no objective way to designate a C rating for the trained personnel, and no objective way to designate a C rating for military equipment and this ability of the unit commander, who sometimes look on this as a report card, to subjectively upgrade the overall rating, it is not too meaningful in our opinion right now.

Ms. **Denman**. I would like to add, sir, that the unit status and identity reporting system was never really intended, I don't believe, to give an overall comprehensive assessment of readiness. In essence, it measures resource inputs and the status of those given inputs at a given point in time. Readiness, by DOD's own definition should reflect outputs or the capability of those units to perform its intended objective.

The UNITREP system is simply not designed to accomplish this, that is, to perform an overall assessment of readiness, so there are other factors that need to be looked at.

Mr. **Connor**. But I think we agree that UNITREP should not be scrapped. We think it is an important internal management tool for the services, but we do think, and we point out in our February report, that there are some things that could be improved about it.

Mr. **Daniel**. Sir, do you have anything you want to add? Just speak up, anyone that has anything to add. We are looking for answers.

Mr. **Brew**. Mr. Chairman, I just wanted to mention that we noticed in the Army the practice of substitution of some equipment items for authorized equipment. I think that our reason for talking so much in our report and mentioning today in the statement the need for consistency is the fact of how UNITREP is used and how it could be used by outside sources, not the unit itself. It may be very useful to the unit, because they know what constitutes that report. They know about the subjective judgments. The commander knows about the substitutions that he has made, so it may be a good record for him to use.

Mr. **Daniel**. Well, the way it is used now and interpreted by the press completely misleads the American people about the state of readiness of our forces, and I am confronted with that everywhere I go. You replace an M-60 with an M-1, obviously the M-60 is more ready the day it goes on the battlefield than when it comes off the battlefield, than the M-1 you replace it with.

Dr. West, do you have something?

Dr. West. One thing I wanted to clarify here is that, as opposed to what DOD told us last year about UNITREP's serving as sort of an adequate basis for congressional tracking of readiness, and supposedly make resource decisions, I think it is correct to say that that just isn't what UNITREP can do. We can't measure readiness over time using UNITREP because of all of those changes in requirements and equipment, TOE, forcestructure, everything, and also I don't see any way that you could use it to make resource decisions.

So I think that where we would differ with the Department of Defense is that we don't see how UNITREP could possibly fill that void even with the adoption of the recommendations that either the task force made or that you are recommending.

I think what you trying to say is, if we make it more consistent, its internal application may be more effective.

Mr. Connor. That is right.

Dr. West. But there is nothing we can do to make UNITREP an adequate baseline for a congressional review of readiness or resource allocation.

Mr. Connor. That is right. In fact, it was strange that DOD would hold that up as they did to you, because at the same time, in their readiness report that they issued to you folks in January 1985, they stated that UNITREP was not a measurement of force readiness.

Mr. Daniel. Let me ask you this one. On page 10, I was just looking at page 10 here, GAO puts analytical models in three categories; static and simulation are the first two. Later you indicate that there has been increasing use of a hybrid model to measure the impact of forcestructure changes and modernization. How do these hybrid models work, and why are they more effective in measuring change in forcestructure and modernization?

Mr. Connor. Let me take a layman's crack at it and then I will get my expert here to answer. The way I understand it, a static model, as we mentioned here, is sort of a listing of the type of equipment that a force has, and by putting a weight to that equipment, you can come up with sort of a static sense of capability.

A simulation model attempts to introduce other things that are involved in fighting a battle; such as movement, communication, and tactical decisions.

The simulation model is generally is better if you are only dealing with a small situation at a time. If you want to deal with a total theater battle, it takes forever to run, as I understand, so the hybrid model tries to put the two of them together and come out with a model that will assess in a relatively reasonable time what you want to assess.

Mr. Daniel. Julia, do you want to take it from there?

Ms. Denman. The merits of the simulation in general are that you are able to try to represent the details of the situation, the operational situation. The difficulty with a simulation is that it takes a lot of data, it takes a lot of information about the particular operation that you are trying to represent. It takes a lot of time to compute that kind of an assessment.

It is obvious that if one can come up with a formula or method to mathematically represent or approximate an operation, that you could do it much more quickly, but this type of analysis also tends to be less able to be validated. It is more difficult to determine whether or not it is representative of the situation you are trying to model.

If one can come up with a reasonable combination of the two, then you can hopefully come up with the benefits of both and get the benefits of the simulations where they can be used and the benefits of the analytical static model when it is appropriate.

Mr. **Daniel**. Sir, do you have anything you would like to add to that, Mr. Eastman?

Mr. **Eastman**. Mr. Connor, you and Ms. Denman and your staff have obviously looked into this subject at some length now and in some detail.

If you look at what I think the bottom line that the Congress may be after and that is how to draw some kind of a relationship between levels of readiness and levels of funding, and in the course of trying to make that relationship you obviously need a way to measure readiness. Is this too hard a problem? I mean, are we wrestling with something that there just plain isn't going to be an answer for, or you know, should we continue to beat this drum, about, you know, give us this kind of a system.

Mr. **Connor**. I guess where we come down is we think it is too important not to continue to try. We think it really is necessary if we are going to make intelligent decisions and tradeoffs and where we are going to put our budget dollars to continue to try.

We are pretty certain that we are not going to be able to come up with one single measurement of increased readiness. We think it is going to require a family of readiness indicators and in order to make that work, there would have to be, and I think as Chairman Daniel suggested in his opening statement, an agreement between DOD and the Congress that these are the closest indicators of readiness that we are going to be able to come to and then use those in making funding decisions. I think that is about where we are now.

Ms. **Denman**. I think it is important to remember that there are a lot of factors here that have not been clear, such as what are we defining? Is it readiness or is it capability, and what is the relationship of the two. There may be some uncertainty on the part of the Department of Defense as to exactly what it is Congress would like for them to measure.

I often heard the phrase, "capability to do what?", as I went around and interviewed different Department of Defense officials. It may be very important for the Congress to get together with the Department of Defense in defining what it is the Congress would like to have measured, and to come up with some type of coordinated agreement, as to the types of systems or indicators that may be useful in providing that measurement.

Mr. **Eastman**. During the course of your work in this area, did you develop a feel for what you think is the principal barrier that apparently prevents DOD from being responsive to these continual requests from the Congress?

Ms. **Denman**. I would think that one of the barriers is a natural inclination of the services to want to keep their budget decisions to themselves and within the service. Some of the systems that we requested to get information on we were not allowed information about or access to, because the services prefer to keep such information within the service, not to provide it to OSD, and also not to provide it to Congress.

The services in general feel that they have been given the authority within themselves to make those kind of allocation decisions. There may be a natural inclination to hold back to some extent in developing that kind of capability.

Another barrier is the differences in the dollars that are associated with the areas that we are talking about, that is, the type of funding or the color of money and what you are buying for that money. It is difficult to say, for example, for readiness, are you talking only about operation and maintenance dollars, or are you also talking about procurement dollars, and how do you discuss that use of funding and relate it to force readiness.

Another problem is the availability of data with which to make the kinds of analyses that we need. You have an independent process for implementing or distributing the kinds of dollars that you have used. If you can't track and find out what you have actually spent the money on, it is difficult to be able to say how accurately we have projected the effectiveness of how that money was to be used.

Mr. **Brew**. Another point I think we need to reiterate is the need for a focal point, the need for someone to have an overview of what is going on in DOD and JCS, regarding measuring military capability.

At the moment I think it would be difficult for you to turn to any person who could respond to the question, tell us what is the capability of DOD.

Mr. **Eastman**. Thank you very much.

Mr. **Daniel**. Thank you very much and we will get these questions to you.

Mr. **Daniel**. Our next witness is Mr. Michael Rich, representing the Rand Corp.

Mr. Rich, we deeply appreciate your attendance here today and we look forward to your message.

STATEMENT OF MICHAEL RICH, RAND CORP.

Mr. **Rich**. Thank you, Mr. Chairman, for the opportunity to appear. If you can tell me how much time you actually do have, I will limit my comments accordingly.

Mr. **Daniel**. Why don't you just brief your statement and I will stay here until you finish it.

Mr. **Rich**. I have prepared a statement that I will leave for the record and so obviously will not read that. The views I express are my own and not necessarily those of our research sponsors, nor that of the Rand Corp. itself.

Our research focus has been on improving the combat capability of the combat forces in the Defense Department, by improving the ability of not only resource managers, but also combat commanders, to assess readiness and also to take appropriate actions when their assessments indicate that there is some shortfall.

So what we have done is force ourselves to understand the implications of the threat and changes in the operating environment for assessment capabilities and methods to support those capabilities, as well as to look at ways to embed the analytic techniques you need for assessments into the actual day-to-day operations.

Let me highlight four points made in my written statement. First, in order to assess, in what we believe to be a meaningful way, you have to undertake some methodological and conceptual developments that are just not very easy.

Now, one reason for this is that the threat has changed so markedly in recent years, and so has, therefore, the combat environment. What I am speaking of here is a vast improvement in the capability of the Warsaw Pact to disrupt our support infrastructure. This is a result of not only numerical changes in the size of the air-to-ground inventory, but also qualitative improvements in weapons platforms, as well as weapons delivery systems.

Formerly outside the combat arena, the support infrastructure is now well within it and I am speaking of air bases, rearward army facilities and navy installations and so on, and this means, of course, that our support infrastructure has to be subject to the same standards of combat performance as our combat forces have been for some time.

That means that our assessment capabilities have to be combat oriented, in terms of its output measures; have to capture the product of the wide range of individual support functions, which are very broad, large, and diverse, and which have many complex interrelationships, and have to project capability from present day into the future. All of this requires models and decision aids to do well.

The second point I would make is that this capability, although improving rapidly, is still in its infancy. We have only recently been able to incorporate some of the dynamics of wartime situations and the uncertainties introduced by the threat. Only recently have we been able to introduce a system-wide view that covers supply and maintenance and transportation. And we have only recently been able to reflect the complexity of the equipment involved, as well as the complexity of some of the functions involved in supporting and operating that equipment. And it has been even more recently still that we have been able to embed the analytic techniques into the management systems for operating the day-today force.

The third point is that progress, although it has been rapid, and I think fairly substantial, is still such that we have a long way to go, especially in improving the treatment of uncertainties like the enemy threat.

And the final point I would leave you with is that it is an important job, as I am sure some of the other witnesses are going to tell you, but let me add a reason that I think is under-appreciated.

Assessing readiness is not important only for understanding the historical trends and taking snapshots of current capability. Being able to do relevant and effective assessments is now increasingly important for operating both in peacetime for purposes of preparing for war and also in wartime. That is because future operations will take place in environments of ever-increasing uncertainties, requiring a support system that is ever more adaptable and increasingly responsive. The key to being responsive to the threat is accurate and relevant assessments of how well the support system can support the specific operational goals of war plans.

These, in brief, given the time constraints, are the points I would like to leave you with, and I think most of them are elaborated in my prepared statement.

I would be happy at a later date to either return or to answer questions submitted in writing. Thank you very much.

PREPARED STATEMENT OF MICHAEL RICH

Mr. Chairman and members of the Committee, thank you for the opportunity to appear here today. I am Deputy Vice President of Rand's National Security Research Division, but the views I will express this afternoon are my own and do not necessarily represent those of The Rand Corporation or any of its research sponsors.[1] They are based on almost six years of directing most of Rand's research on defense resource management problems. Much of that research focused squarely on the subject of these hearings: Increasing the capability of combat forces by improving the ability of combat commanders, resource managers, and planners to assess readiness and sustainability and take appropriate action to strengthen both.

My choice of words is deliberate; I have tried to capture with them our major thrusts. By focusing on combat capability, we have forced ourselves to understand (as best we can) the implications of future enemy threats and wartime operating environments and adopt and enforce a systemwide view that takes account (again as best can) of the complex interrelationships among the many diverse elements of the combat support system. Our interest in both assessing capability and improving it means that we have worked on conceiving and developing management systems that can become part of standard, day-to-day operating practices—first in peacetime, but ultimately in wartime, too. In doing so, we have been sensitive to distinguishing the different needs of planners, combat units, and support system managers. Our research has thus extended to threat assessment, combat support policy analysis, management system design, and basic model development. Most of the research has been sponsored as part of Rand's Project AIR FORCE by the U.S. Air Force, which has consistently reinforced our choice of major thrusts and which has made superb use of our products.

In the time remaining, I will say a bit about the general challenge of assessing readiness and sustainability, the evolution of our ability to do so, the present state-of-the-art, and, finally, what the future holds. My intent is to make this brief account more than merely descriptive; I will try as well to tell you why I believe readiness assessment is so important and therefore why many current efforts to improve that capability deserve strong encouragement and support. The reason goes beyond the traditional notions about the purposes and value of such assessments; it reflects a view that readiness assessment capability represents more than a means of looking at past decisions, it is now a required and increasingly important element of day-to-day force operations and support system management.

THE GENERAL CHALLENGE

At the heart of the problem is the question, "what must be known?" The answer is that one must know the extent to which the combat support system can meet the operational goals of important warplans. Those plans contain many such goals, of course. In the case of aircraft, we have concentrated on sortie generation and aircraft availability. That is, we have concerned ourselves with the number of mission-effective aircraft and how many combat sorties they could fly on each day of specific, rapidly changing war scenarios. These are by no means the "ultimate" goals that one would like to focus on, but by being combat-oriented and "dynamic" they are clearly on the road to them.

The system that enables an aircraft to be ready to fly a sortie into combat is extremely large and complex. One must be able to know how each function at each echelon contributes to the availability and productivity of our forces' combat equipment. In our work at Rand we have focused first on recoverable assets—or "exchangeables," as they are known—and engines. That focus encompasses functions like supply, repair, distribution, and transportation. This coverage is by no means exhaustive, but, by including virtually all the functions associated with assuring that a serviceable spare part is where it is needed in wartime, it is clearly on the right road.

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[1] Credit is due I.K. Cohen, Stephen Drezner, and Raymond Pyles of Rand for contributing ideas to this testimony.

What must be "known" about this system? We need to know how many assets it has, such as spare parts, support equipment (including its condition), and manpower. We must know how fast critical steps in each important function (like repairs and transportation legs) are likely to be accomplished. These details are not very meaningful by themselves, however; neither in the end are trends in them over time, comparisons among different locations, and the like. What we need to know is how well the total system is performing. Therefore, we must know the relationships among the various resources, functions and echelons and, most important, how shortages and performance shortfalls in one affect the ability of the overall system—all the functions and echelons together—to "produce" mission-ready aircraft.

The challenge has yet another dimension: This overall system performance—described in the combat-related terms I spoke of earlier—must be known "routinely" in both peacetime and wartime by several key actors. These actors range from the planner with lots of lead time, to the support system manager with perhaps abundant computational resources, to the operational commander with very little of either. Each must be able to obtain such information in a form and at a frequency that can help identify the need for corrective action, select the appropriate type of action, and ascertain whether it is effective when executed.

WHERE WE HAVE BEEN AND WHERE WE ARE

Assessing readiness and sustainability in the manner that I described is not an easy task. The size, breadth, diversity, and interrelations of the important support system elements mean that we must rely heavily on models and other decision aids to capture the inputs, keep track of the relationships, and translate them both into appropriate outputs. Models are necessary for another reason, too: We are interested not just in descriptions of the past and present; we are interested mainly in making projections of capability in settings defined by our warplans. Moreover, this assessment process must be designed and tailored in ways that make it a central part of the day-to-day activities of those who are responsible for operating our forces, managing our support system elements, and planning for the longer term.

Analytic models have improved tremendously over the years.[2] For a long time, they could not reflect two of the important inherent characteristics of combat operations: the inevitability of changing circumstances even during short periods of time and the management responses to unpredictable events. These models assumed steady-state operations and "no surprises," features that are not entirely unsuited to certain types of military activities, but which are certainly too limiting for the types of peacetime operations that we observe today and the types of combat environments that we envision for the future.

Mathematical advances about a decade ago permitted the incorporation of a wide range of scenario dynamics and support system performance complexities. We acquired the capability to examine activity rates (such as flying programs) that change from day to day, support capabilities that became available only after a scenario had begun (as when different units arrive in the combat theater as a conflict unfolds), and situations in which critical functions are disrupted and important resources are destroyed by enemy actions.[3] This last new capability is perhaps the most important, given the increased vulnerability of our support infrastructure. In short, we rapidly developed much more realistic portrayals of the demands "created" by contemporary operations.

We also made great strides towards achieving the necessary systemwide view. For many years, our best and most widely used analytic models represented individual support functions, like supply. Although often elegant and sophisticated from the standpoint of technical detail, they were quite narrow in the scope of resources and functions covered and in their outputs, almost never relating the operation of more than one function to the product of the overall system. This situation made comprehensive evaluations of the adequacy of the support system and explorations of innovative tradeoffs virtually impossible. Fortunately, more recent developments reflect the view that aircraft availability and sortie generation capability are functions of the overall system, a set of integrated elements. Thus, the best and most widely used of today's models adopt the "integrated view" and encompass more of the important functions and echelons.

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[2] For an excellent discussion of this subject, see S. M. Drezner, R. J. Hillestad, "Logistics Models. Evolution and Future Trends," the Rand Corporation, P-6748, March 1982.

[3] See R. J. Hillestad, "Dyna-METRIC: Dynamic Multi-Echelon Technique for Recoverable Item Control," R-2785-AF, March 1982; R. A. Pyles, "The Dyna-METRIC Readiness Assessment Model: Motivation, Capabilities, and Use," R-2886-AF, June 1984; and D. Emerson, L. Wegner, "TSARINA—A Computer Model for Assessing Conventional and Chemical Attacks on Air Bases," N-2244-AF, October 1985.

To give you an idea for the complexity of that "view" and the breadth of the system it covers, let me describe the support system that we have encompassed in our research on aircraft readiness and sustainability. It includes several critical logistics functions: supply, maintenance or repair, distribution, and transportation. These several functions and activities take place at several levels (or "echelons") and the "systemwide" view requires joint consideration of each. Thus, we focus on flightline activities, those that take place elsewhere on our operational bases (such as intermediate-level, or "backshop," repair), and those that take place within the vast depot system located mainly in the continental United States.[4] The models that are used to represent this system must therefore capture asset quantities and performance levels for each of these activities at each of these locations, as well as the functional interconnections among them all. Moreover, they must possess sufficient richness or sophistication to capture some of the important physical characteristics of the actual equipment involved—such as the fact that aircraft components consist of subcomponents that consist of "bits and pieces"—and some of important practical details of the actual processes involved—such as the sequence of events in various test and repair operations.

The current generation of readiness assessment models do just that. As a result they have enabled the defense analytic community to do numerous outstanding analyses of innovative policy options. At Rand, for example, we have evaluated the payoffs of different intra-theater logistics transportation systems, different avionics test and repair strategies, and different ways of supporting carrier-based fighter operations. The models I described made these studies much more meaningful than those of earlier days by allowing us to measure the payoffs of alternative policies and procedures in terms of the overall system output—numbers of aircraft available for combat and number of possible sorties—given a fairly realistic set of "operating assumptions" (changing flying patterns, phased deployments, etc.). Thus, the standard analytic approach of assessing current capabilities and comparing those to estimates of the capabilities afforded by alternative policies was strengthened dramatically by these new analytic methods.

The next step was to exploit these methodological advances in ways that served our main purpose of directly assisting the actual day-to-day system operations. The simple notion that we built on was that day-to-day management ought to be based on the same types of assessments that so improved the analysis of proposed policy changes. That is, daily management actions ought to be based (to the extent possible) on good estimates of their effects on overall system outputs—available aircraft and sortie generation capability. A watershed development in the evolution of this notion was the Combat Support Capability Management System (CSCMS), a joint prototype development in the early 1980s involving Rand, Air Force Logistics Command, and the Pacific Air Forces.[5] This management system used the Dyna-METRIC readiness assessment model in a novel way. It enabled planners responsible for establishing asset requirements and logistics performance standards (such as repair cycle times) to see how their decisions would affect sortie capability in the circumstances of specific warplans. As important, it improved the ability of commanders to carry out their responsibility for sensing conditions that imperil their unit's ability to meet specific warplan goals. With other systems, commanders were forced to interpret what could be voluminous information about part shortages, repair time trends, and so on, without any decision aids. CSCMS integrated that information and "sounded alarms" when the combination of all the indicators suggested an overall system capability falling below that required for specific operational scenario. Thus, unlike most other systems it helped managers and commanders detect likely wartime support problems "lurking below the surface" in peacetime—problems that "appeared" only when the changed environment of wartime (steppedup activity levels, etc.) was systematically considered. Moreover, CSCMC contained diagnostic features that pinpointed the particular problem area (the removal rate or "order-and-ship" time for a specific part, for instance) so that corrective action could be taken quickly.

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[4] In the Pacific theater, of course, there is yet another level of activity: that of the Pacific Logistics Support Center, which provides certain types logistics support to all the U.S. Air Force forward operating locations from a single location (Kadena AB, Okinawa, Japan).

[5] See R. A. Pyles, R. Tripp, "Measuring and Managing Readiness: The Concept and Design of the Combat Support Capability Management System," N-1840-AF, April 1982.

The conceptual design and rudimentary operating features that were validated in the CSCMS experiment are now being embedded in the U.S. Air Force's Weapon System Management Information System (WSMIS), a major Air Force Logistics Command program that will significantly strengthen our fielded combat forces by improving the quality of information available on a routine basis to those responsible for managing the infrastructure that supports them. As intended, the concept has also been used to improve the information available to those who command the combat forces, themselves. One example is TAC PACERS, a Tactical Air Command system that enables Wing Commanders to ascertain quickly whether their on-hand war reserve stocks are adequate to meet particular wartime flying goals.

WHERE WE ARE HEADED

As far and fast as we have come in this important area, there is still a very long way to go. One significant area for improvement involves our ability to represent the "real world" and thereby improve the quality of our assessments of readiness and sustainability. An important shortcoming now is relatively crude treatment of inevitable uncertainties. In general, currently used analytic techniques do not adequately reflect likelihood that actual flying patterns will differ sharply from the assumptions in our planning scenarios, that future component removal rates will differ from those that we have observed in the past (and that will change markedly during wartime), and that airbase damage and disruption will shatter our assumptions about resource availability and the like. [6] Moreover, our current techniques do not adequately capture the complexities of those logistics functions that hold the most promise for being able to cope with those uncertainties, foremost among them repair and distribution. Said another way, our current models are not rich enough yet in their representation of the bottlenecks, on the one hand, and the potential for adaptive management action, on the other, of critical repair shops. That adaptive action depends on how flexible and robust the repair and distribution functions are, qualities that are not captured very well by the current assessment state-of-the-art.

Current work at Rand is tackling these types of problems. We are studying the extent and implications of the most significant uncertainties and have a major study effort directed at adding a better representation of repair operations to our principal readiness assessment models. We are trying to improve markedly the degree to which we can assess how flexible and robust our system is when it is called upon to respond to unplanned "demand patterns." A special simulation model, known as TSAR (standing for Theater Simulation of Airbase Resources), enables us to study the effects of plausible Warsaw Pact attacks (both conventional and chemical) on our support infrastructure and translate the effects of that attack into estimates of degradation in our ability to generate sorties. That model also allows us to compare the combat payoff of a wide range of operational, logistics, and other policies. When we are able to assess better the flexibility and robustness of repair and distribution operations, we will be in a much stronger position to identify and evaluate policy and procedure options for coping with the uncertainties in future wartime environments.

The other area for significant improvement is in operationalizing our analytic techniques so that they can become a more central part of the routine operations of the support infrastructure. WSMIS, which I mentioned earlier, is a major step in this direction. We are working with the Air Force right now on another one. It involves a brand-new means for introducing wartime aircraft availability goals to repair and distribution functions. The eventual result: The managers of each element of the support infrastructure—repair, supply, transportation, and distribution—will use frequent assessments of the capability of the combat force to judge its own routine operations and prioritize its actions.

We are also thinking about the path that lies beyond where these ambitious developments lead. No one is satisfied that aircraft availability and sortie generation capability are the best measures of "system output." To arrive at "more ultimate" measures (such as targets killed), it would be useful to enrich them with good information about the true condition of the combat systems on the aircraft.

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[6] For a description of how changes in the threat have transformed the combat environments facing our forces in future and discussion of the implications for defense resource management policies, see Michael Rich et al., "Improving U.S. Air Force Readiness and Sustainability," The Rand Corporation, R-3113/1-AF, April 1984.

More important, though: The need to make rigorous, systemwide assessments an integral part of routine operations is not merely a challenge for peacetime, though that is the main emphasis of current activities. There is every reason to demand that this same approach to support infrastructure management carry over into crisis and wartime operations. A future step, then, is to tailor our evolving peacetime operating systems to the needs and constraints of likely wartime environments of the future.

In closing, let me reiterate why I think the subject you have chosen for these hearings is so important. Most people readily recognize that the ability to make meaningful assessments of the readiness and sustainability of our combat forces is useful for many "retrospective" purposes, like charting trends and evaluating past investment decisions. Less well-understood, however, is how important that ability is to being able to support effectively the future peacetime and wartime operations of our combat forces. Those operations will assuredly take place in environments of ever-increasing uncertainties, necessitating a support infrastructure far more responsive and adaptive than the one we have today. The key to great strides and leaps in responsiveness and adaptive capability is to tie specific support function operations directly to actual specific deficiencies and shortfalls in readiness and sustainability. The proactive, very aggressive support operations needed by combat forces require the very best methods and systems of assessments.

Mr. DANIEL. Thank you, Mr. Rich. We appreciate your appearance, and again state that I wish circumstances were different because this is a subject we have given a lot of attention to, and I guess what I want to ask you first off is, what do you see as a basic weakness in our measuring readiness, measuring yardstick that we are using now?

Mr. RICH. Well, I think in many cases the question that we have asked the Defense Department is a bit too general and abstract. It usually comes in the form of "how ready are we," as opposed to "how ready for a specific contingency or specific set of scenario." Not that that is an easy question to answer either, but at least it has enough handles or hooks or enough of a context to provide the framework for an answer.

Given that as a going-in position, then the principal challenges are being able to represent the outputs of a very complex system in relevant terms and do so in a context that bears some realism in relation to the types of setting that our forces are going to find themselves in. What we are doing is projecting the capability of a very large and complex set of resources and functions out into a rather uncertain future.

Mr. DANIEL. Is it reasonable and practical to expect to be able to develop an analytical system for evaluating military readiness and sustainability which could be used by each of the services and by OSD in making cross service comparisons?

Mr. RICH. Well, I think phrased in that way the answer is yes, because I think you have chosen your words carefully. It is going to be easier to create an evaluation system than a measurement system, for example, if by measurement you mean precise quantitative indicators.

There does have to be judgments added to the quantitative indicators you have. I think you were also careful to say that the comparisons were going to be limited in purpose, because I think there is some limitations to the ability to compare, and in fact I think there should also be some limitations in our desire to compare. Each of the services has special problems related to the uniqueness of their equipment, their operating styles and their missions, that I think should be a fairly important limitation on our enthusiasm to enforce uniformity across the services.

Right now the development of these methods is new enough and recent enough that we ought to be cautious about imposing any type of centralized framework or rigid set of standards again because of the uniqueness and the difficulty of the individual task that each of these services have.

Mr. DANIEL. Do you have any suggestion as to how we can make it more understandable to the public and to Members of Congress who are not on the committee? This is a basic problem that we have right now, Members of Congress who don't follow this on a daily basis and the public do not understand what it is we are attempting to do. Thus, when the reports come out as they usually do, and the people who are writing the stories don't understand it either, it gives us somewhat of a feeling of inadequacy, I'm not really doing my job, and we are trying to do a job. If you can help us with that, either now or in writing, we would appreciate it.

Mr. RICH. I recognize the problem and share your concern. We have tried in our own writings to contribute to the solution, but I have no easy answer to your concern.

Mr. DARDEN [presiding]. Dr. West.

Dr. WEST. One of the things that was—I was reading your Rand note that you coauthored "An Integrated View of Improving Combat Readiness," and one of the things that you underscore was the importance of relevant historical performance data for each system element. How well is this data requirement being met, and what do you think needs to be done to approve our ability to capture and apply relevant historical performance data?

Mr. RICH. I think it is being captured very well in some areas, less well in other areas. Our data tend to be very good in the supply area, for example, in terms of accounts of available resources. We don't do quite as well in areas such as repair, particularly true, I think, for support equipment. In the Air Force and the Navy, for example, the influx of sophisticated avionics has required the use of sophisticated test equipment.

We don't have, I think, the proper routine data collection procedures that cover the operations of that type of equipment, which is obviously important for the assessment of the ability of the repair portion of the infrastructure to support combat operations. But that is improving, and I think the critical challenge is to make sure unnecessary data are not collected, and so it ought to be really a requirement-driven evolution here, and that would be the principal challenge.

Dr. WEST. How important do you think the deficiencies that we still have are in trying to develop and validate some of these models that we are planning to use? Is it a serious deficiency? Is it a noise level problem, or what?

Mr. RICH. It depends, of course, how the results are interpreted. You have to keep in mind, for example, that if you don't capture the effects of queues or delays in terms of parts waiting for access to test equipment, then your results are going to lack that type of richness and sophistication, and I think many of the people that receive the results do have the proper interpretation in mind.

But that is just one example where the need has somewhat outstripped our ability so far to be able to capture or reflect what is going on, the complexity of the process by which this combat equipment has supported these things. So there are things we don't cover, and that is not to mention even some of the human elements that the other witnesses have spoken about, and that is why the outputs from these systems, as increasingly sophisticated as they are, have to be supplemented by professional military judgments of those using the systems.

Dr. WEST. I guess the last thing I had to say on that, or to ask you, was that one of the criticisms that came out of the GAO report was that there seems to be a lot of emphasis in funding associated with model development, but when we get to the point of validation and verification in the areas that you are talking about there is less emphasis yet this is an area you may have deficiencies where you perhaps don't discover the absence of the data that you need or something along the lines, or inadequacy somewhere. How do you respond or what do you feel about the GAO assessment? Do you feel that that is in fact the case that we have put more emphasis upon development and we have not given the proper emphasis to verification and validation?

Mr. RICH. Well, the answer I will give you is one that needs to be qualified simply by the observation I have not read the GAO report yet. One can interpret its conclusion, though, in different ways.

A sensible development process, certainly the one that we undertake at Rand, includes model validation within the general task of development. We do many of the things that I think need to be done in developing models—before they are actually used or applied. These steps are not the only things a reasonable person can interpret as being meant by validation. When you are projecting the operations of a peacetime system into a wartime context, there just by definition is no way to validate the operation of the model. But, you can use multiple models to cross check results from one, and that is being done to the degree that is required.

Let me just add one more set of observations on data. Data are unavailable for a number of different reasons, and in some cases it is available and with the right type of effort can be readily collected. The data on test equipment usage I mentioned earlier is a good example.

There are other types of data that are theoretically available, but only with some concerted effort. One important example in this category, is the operation of electronic countermeasures, the equipment that we don't use in peacetime for good reasons, yet is going to be critically important in wartime. We have very little information on how that equipment is really going to operate—removal rates, repairs times and so on. It is very difficult to collect that information in a peacetime setting.

Then there is some information that is relevant and critical but that is never going to be collected. We don't know how the relationship of increased activity rates to equipment removal rates, we don't know how the maintenance force is going to respond under the rigors of war, the damage and disruption caused by air base attack, and we don't know incidence and effects of enemy attacks on our support infrastructure. These are all contained in the various models and decision aids that we use in the assessment business today. We make reasonable assumptions. They improve over time because of some experiments we can run, but we are never going to be informed by the type of data that we can collect for the physical operation of some of this equipment or the physical operation of some of these functions. So I think you have to remember we are limited in the end in terms of the amount of data we can rely on in making these types of assessments.

Dr. **West**. I guess that last question I have is that in your statement and in the publication, that 1982 publication, the point that you make is that you can only really meaningfully measure readiness in the context of specific wartime scenarios or a series of specific wartime scenarios. That is, I think, a valid and interesting approach, but how do we relate that kind of readiness assessment to the kind of budget decisions that we are going to be called upon to make?

Mr. **Rich**. Well, many times the question about readiness is phrased simply, "How ready is the 1st Tactical Fighter Wing?" That, I think, standing by itself, is a rather meaningless question, because certainly we can all think of contingencies for the 1st Tactical Fighter Wing that would be very stressful and very difficult for it in any condition. Or we could think of others that it could meet under a number of different circumstances in terms of resources and so on. So, whether it be in a budget setting or a planning setting, or in actual day-to-day operations, I think it is important to keep in mind the job that you are expecting or you are desiring for that particular unit or set of units to do, and evaluate the asset positions, the performance levels of the actors in the support process, and so on, and the combination of those things, in the specific context of those types of objectives.

Now, at the level of the budget formulation, obviously you can't look at many scenarios at once, but a reasonable and plausible collection of scenarios would seem to be a useful, desirable and appropriate way of evaluating the capability of an individual unit or a set of units. In the abstract, "how ready is a particular unit," or "how ready is a particular service," seems to be too general to get a meaningful answer.

Mr. **Darden**. Mr. Eastman, I believe, has another question.

Mr. **Eastman**. Yes, Mr. Rich, I want to ask you something similar to what I asked the GAO witnesses, and that is, during the course of your investigation of this subject, did you develop any kind of a feel for what you thought was the principal reason that the services and DOD seem to be so reluctant to come up with this kind of a system? Do you agree that it is this sort of proprietary feeling over budget decisions?

Mr. **Rich**. I will be honest with you, Mr. Eastman. I have not detected this reluctance the way you have because I am in a different situation. We have undertaken work in response to fairly aggressive service initiatives to develop the analytic capabilities and resulting management systems that provide this type of information. We have been on the receiving end of research dollars, to do exactly the job you are suggesting they are reluctant to do, so I have not detected that reluctance.

Mr. EASTMAN. OK. Well, let me ask the question somewhat differently then. Is it reasonable to expect that it should be now 8 years since the Congress first asked for this and we still haven't gotten anything?

Mr. RICH. Again, that is a difficult question to answer. If that is an accurate assessment of what has been produced, it certainly isn't a result of a lack of effort and creativity on the part of at least the elements of the Defense Department that I have personally dealt with, which is principally the Air Force. There have certainly been a fair amount of concerted effort with a lot of progress made, but as I indicated in my statement and the comments today, it is a very, very tough job and there is a lot of additional work that needs to be done and a lot of additional progress needs to be made.

Mr. EASTMAN. Do you have kind of a gut feel that it is eventually going to happen?

Mr. RICH. Well, I have a strong gut feel that we will have continued improvement in this area. We have a number of activities under way today at Rand that haven't seen the light of day simply because they are still in progress that advance the state-of-the-art, I think, much further. We are making some big, big developments, much like the Dyna-METRIC model, which you may be familiar with, which we developed in the late 1970's and early 1980's, so I think we are continuing to make some impressive progress.

More can be made as the support and amount of effort increases, so it is not a case of us being at the end of our resources in terms of creativity. It is a dollar-limited field. There is not a lot of research support, but to the extent that there has been, I think we have made some good progress, but again, that is not to say that the problem is well in hand.

Mr. EASTMAN. Thank you, Mr. Chairman.

Mr. DARDEN. Mr. Rich, one thing I wanted to mention very briefly, I have been discussing with Dr. West, as I have in the past, the frustration that some of us experience in what appears to be almost a bias against modernization insofar as readiness of particular units are concerned. I, in particular, have discussed several times, using that as an example, how in the next few months we will be replacing at Dobbins Air Force Base in Georgia, F-4's with F-15's and, insofar as the C ratings are concerned, I am sure that will take a dip. At the same time, hopefully by expenditure by about half a billion dollars for these F-15's we ought to have additional capabilities that we didn't have before. Could you address that insofar as your systems relate to readiness?

Mr. RICH. Well there is absolutely no doubt about it, there are specific missions and functions that a F-15 can perform that no number of F-4's can perform, for example, detecting low-flying, incoming targets. There are certain ones that the F-15's, by virtue of the capability of its radar, can detect that even a full squadron of F-4's is not going to detect.

So there is no doubt you are improving your capability by substituting modern aircraft like the F-15 for the F-4. On the question of readiness and sustainability, there are a number of different issues. There is no reason why those two units should not be measured or assessed in the same way. And what I would prefer in the same way is the type of process that I described in my statement and summarized today.

You will, presumably, in any sort of transition from one unit to another, or from one type of equipment to another, undergo some difficulties in that transition that might be reflected in any readiness reporting system, and so that should not be of concern, but this is something I think is well-known and is probably sufficiently attended to by the people introducing the F-15 at that base.

Mr. **Darden**. Dr. West, anything further?

Dr. **West**. Just one other thing to give you a chance for sort of a plug here. We have heard an awful lot of good things about the Rand strategy assessment system and it has apparently come on line now and I guess it offers a great deal more capability than some of the earlier models in capturing and reflecting.

The question is, have there been any additional problems in bringing this thing on line, and what kind of additional capability do you think we are going to be able to see as a result of the development of this system?

Mr. **Rich**. That is a very, very different development and for a very, very different purpose than almost everything else you have been talking about today. That is an advance in automated and human/machine gaming mainly for the analysis, mainly of strategic nuclear exchanges and other types of global conflicts and not for the assessment of readiness or sustainability of individual units.

It provides a general framework which in time may incorporate some of the concerns of this particular subcommittee, but to date and for the foreseeable future, it really will not.

It is an impressive development for a number of different reasons. The integration of artificial intelligence, new computer languages, and the integration of human gaming with automated models. But its purpose is very, very different than the purpose of a number of the other techniques that are described in the GAO report and of interest to the subcommittee.

We would like you to come out to Rand and take a look at it though. It is impressive for a different reason.

Dr. **West**. We are led to believe it is going to extend to conventional capabilities, and what you seem to be saying is it is going to be a fair period of time before it gets down to the conventional side.

Mr. **Rich**. Ultimately it will, but its purpose has never been and really should not be the same type of evaluations or assessments as the aggressive developments underway in other settings.

Mr. **Darden**. Thank you very much, Mr. Rich. We appreciate your being here today, and to all the witnesses, we appreciate your testimony and your participation in this hearing.

Let me apologize on behalf of the other members of the subcommittee. It seems like every single subcommittee in the Armed Services Committee is meeting today and we seem to be playing musical chairs, going from one to another.

But we do appreciate your participation in this very critical area.

Ms. Denman, it is good to see you again. I see some rather glowing reports from Mr. Eastman about your testimony and your help and preparation.

If there are no further matters to come before the subcommittee, we will stand adjourned until 2 o'clock tomorrow.

[Whereupon, at 3:18 p.m., the subcommittee adjourned to reconvene at 2 p.m., March 6, 1986.]

United States General Accounting Office

GAO

Report to:
Chairman
Committee on Armed Services
House of Representatives

February 1986

MEASURING MILITARY CAPABILITY

Progress, Problems, and Future Direction

ABBREVIATIONS

AFCAP	Air Force Capability Assessment Program
AFIRMS	Air Force Integrated Readiness Measurement System
AIMVAL/ACEVAL	Air Intercept Missile Evaluation/Air Combat Evaluation
AMRAAM OUE	Advanced Medium Range Air-to-Air Missile Operational Utility Evaluation
C-rating	Combat Readiness Rating
DOD	Department of Defense
DRB	Defense Resources Board
GAO	General Accounting Office
JCS	Joint Chiefs of Staff
LCMS	Logistics Capability Measurement System
MICAF	Measuring Improved Capabilities of Army Forces
OSD	Office of the Secretary of Defense
POL	Petroleum, Oil, and Lubricants
RSAS	Rand Strategy Assessment System
SPECTRUM	Simulation Package for Evaluation by Computer Techniques of Readiness, Utilization, and Maintenance
S-rating	Sustainability Rating
TAA	Total Army Analysis
TAC PACERS	Tactical Air Command Peacetime Assessment of the Combat Effectiveness of Reparable Spares
TASCFORM	Technique for Assessing Comparative Force Modernization
TFCA	Total Force Capability Assessment
UNITREP	Unit Status and Identity Reporting System
WSMIS	Weapon System Management Information System

UNITED STATES GENERAL ACCOUNTING OFFICE
WASHINGTON, D.C. 20548

NATIONAL SECURITY AND
INTERNATIONAL AFFAIRS DIVISION

B-221706

The Honorable Les Aspin
Chairman, Committee on Armed Services
House of Representatives

Dear Mr. Chairman:

This responds to the House Armed Services Committee report on the Defense Authorization Act, 1986 which directed the General Accounting Office (GAO) to review various issues related to Department of Defense (DOD) efforts to measure military capability. Our findings and conclusions are summarized below and are discussed in detail, along with our objectives, scope, and methodology, in appendix I. A listing of offices and activities visited during our review is in appendix II.

In recent years there has been much congressional interest in (1) determining what increases in military capability have resulted from previous defense budget increases and (2) identifying what future capability improvements can be expected from planned military expenditures. The Office of the Secretary of Defense (OSD) has formed several different task forces and steering groups to provide responses to various congressional inquiries in this area. Additionally, capability assessment systems have been developed by OSD, the Joint Chiefs of Staff (JCS), and the military services as a normal part of the defense planning, programming, and budgeting process.

Military capability is defined by DOD as consisting of four components--readiness, sustainability, force structure, and modernization. We focused our examination on identifying (1) potential modifications to the Unit Status and Identity Reporting (UNITREP) system which provides one indicator of military capability and (2) initiatives in the OSD, JCS, and the military services to develop analytical systems for assessing changes in military capability.

The UNITREP system is only one indicator of military capability and, therefore, it does not provide a comprehensive capability assessment. For example, UNITREP does not measure units' ability to accomplish combat missions. UNITREP information is also not necessarily comparable from one unit to another or from one reporting period to the next. Guidelines which result in more consistent reports could increase UNITREP usefulness for comparing the status of military units or assessing readiness trends. We are making a few suggestions for improving UNITREP data for consideration by DOD and the Committee (see pp. 15 through 18).

Since 1978 the Congress has sought to have DOD develop improved techniques for evaluating readiness and sustainability. DOD has devoted considerable activity to this objective. Many of the analytical systems developed thus far focus on the relationship of spare parts to weapon systems availability. More recent efforts have focused on how the availability of other resources such as petroleum, oil, and lubicants (POL); munitions; and maintenance affect readiness and sustainability. However, measuring the effects of the many potentially impacting items has proven difficult, even when the services are trying to measure readiness, much less overall military capability. As stated in the DOD Force Readiness Report, the complex interaction between the various readiness components and the difficulty of quantifying the relative importance of each has precluded finding a suitable quantitative measure of overall force readiness.

DOD's attempts to develop improved tools for evaluating the impact of force structure and modernization changes on overall military capability have also proven a most difficult task. While several models which attempt to measure various aspects of war-fighting capability are being developed, the multiplicity of models and approaches suggests there is no general consensus regarding what constitutes an acceptable measure. The current state of military capability forecasting is such that only inferences can be drawn from the variety of models being used to forecast aspects of military capability.

As indicated in our capability assessment chronology, there has been no consistent focal point for coordinating the numerous activities in this area. Although the Strategic Plans and Resource Analysis Agency was tasked in 1984 with assessing how DOD program and budget proposals impact war-fighting capability, responsibility for developing capability assessments since that time has shifted between other JCS or OSD activities. In view of the numbers of organizations in DOD which are and have been involved in attempting to measure aspects of military capability, it may be useful to identify a focal point for coordinating future activities in the area, as well as for interacting with the Congress.

We conducted our work between September and December 1985 and followed generally accepted government auditing standards. As requested by your office, we did not obtain official agency comments on this report. However, we have discussed its contents with DOD and service officials and have incorporated their comments where appropriate.

As arranged with your office, unless you publicly announce its contents earlier, we plan no further distribution of this report until 30 days from the date of the report. At that time we will send copies to the Senate Committee on Armed Services; the House and Senate Committees on Appropriations; the Secretary of Defense; the Secretaries of the Army, the Navy, and the Air Force; and to other parties upon request.

If we can be of further assistance, please let us know.

Sincerely yours,

Frank C. Conahan
Director

MEASURING MILITARY CAPABILITY-- PROGRESS, PROBLEMS, AND FUTURE DIRECTION

OBJECTIVES, SCOPE, AND METHODOLOGY

Public Law 98-525 directed the Department of Defense (DOD) to submit a report to the House and Senate Committees on Armed Services on methods of evaluating military readiness, including suggestions on how these indicators might be improved. DOD's March 1985 response concluded that the Unit Status and Identity Reporting (UNITREP) system provided an adequate basis for the unit readiness reporting system desired by the Congress.

The DOD report to the Congress included some suggestions for modifications to the UNITREP system. However, the House Committee on Armed Services' report on the Department of Defense Authorization Act for 1986 stated the Committee did not believe the DOD report had addressed all the Committee's concerns and asked us to review methods of evaluating military readiness and DOD's response.

As agreed with the Committee staff, the objectives of our review were to

--provide a chronology of recent DOD efforts to assess military capability;

--identify potential modifications to the UNITREP system which could make it a more uniform, comparable, and objective indicator of the readiness status of personnel and equipment; and

--identify and examine the status of major DOD initiatives for measuring changes in military capability.

We developed a chronology of congressional legislation and reports; DOD reports, directives, correspondence, and other documents; and reports by the General Accounting Office (GAO), the Congressional Budget Office, the Congressional Research Service, and various academic and private institutions--all applicable to military capability assessment.

Our review of the UNITREP system began with two DOD task force reports on this system. We also conducted interviews at Army, Navy, Marine Corps, and Air Force active and reserve component activities listed in appendix II. We analyzed the Joint Chiefs of Staff (JCS) and service UNITREP directives to identify similarities and differences in the services' implementation and use of this system.

To accomplish our third objective, we interviewed Office of the Secretary of Defense (OSD), JCS, and service officials who identified the primary systems which are currently used in assessing military capability. These officials described the capabilities and shortcomings of these systems and identified key developmental projects intended to improve the existing analytical capability. We discussed these systems with contractor and service personnel and, to the extent possible, reviewed system specifications and other documentation. We did not, however, try to evaluate the ability of the systems to provide accurate, valid information.

WHAT IS MILITARY CAPABILITY AND HOW IS IT MEASURED?

DOD defines "military capability" as the ability to achieve a specified wartime objective--for example, win a battle or a war or destroy a target. Military capability is a broad term which cannot be readily quantified; therefore, DOD has divided capability into the following four subsets or pillars:

--Readiness: the ability of the military forces, units, weapon systems, or equipment to deliver the output for which they were designed (i.e., for a tank to move and shoot) in peacetime and at the outset of hostilities. Readiness is measured in terms of manning, equipping, and training the force and is defined to include the force's ability to mobilize, deploy, and employ without unacceptable delays.

--Sustainability: the staying power of military forces, or how long the forces can continue to fight. Sustainability involves the ability to resupply engaged forces during combat operations and is sometimes measured in terms of the estimated number of fighting days for which supplies are available.

--Modernization: the technical sophistication of forces, units, weapon systems, and equipment. Modernization can include new procurement and/or modifications, depending on the service. Assessments of modernization may compare new types of equipment with the items they replaced or may compare equipment in the U.S. inventory with that of potential adversary forces.

--Force structure: the numbers, size, and composition of units constituting the military forces. Force structure is usually described as numbers of divisions, ships, or wings.

The military services are not consistent in the items which are included under each of the four pillars, resulting in some difficulty in establishing clear-cut distinctions between them. For general discussions of military capability, readiness and sustainability are often discussed together, as are force structure and modernization. Developing tools which will measure current military capability, project future capability, and examine the potential impact of applying alternative levels of funding to a given military requirement is a very complex task.

In this report, we focus our discussion of military capability on the following three areas:

--the UNITREP system, which is used by JCS and the military services to monitor the status of resources at the unit level and is an indicator of military readiness;

--analytical systems used by JCS and the services to assess military capability from the perspective of force readiness and sustainability; and

--analytical systems used by JCS, OSD, and the services to assess military capability from the perspective of force structure and modernization.

Unit Status and Identity Reporting System

UNITREP is the DOD-wide system that monitors readiness by reporting the status of critical resources at the unit level. Through this system, about 8,200 of the approximately 55,300 military units[1] in the active and reserve forces report information about the availability and condition of their assigned resources. These units represent the primary combat, combat support, and selected combat service support units in each service.

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[1] Of the total number of military personnel, 57.1 percent of those in active forces and 76.8 percent of those in the reserve components are assigned to units reporting under the UNITREP system.

In UNITREP, the principal indicator of unit readiness is the combat readiness (C) rating--C-1, representing a fully ready condition; C-2, substantially ready; C-3, marginally ready; C-4, not ready; and C-5, service programmed, not combat ready. For each reporting unit, a C-rating is computed for the following four resource areas: equipment and supplies on hand, equipment condition, personnel, and training. Overall C-ratings are assigned to each rated unit based on the lowest C-rating in any of the four resource areas. That is, if a unit's four areas are rated C-1, C-1, C-1, and C-2, the unit's overall rating will be C-2. UNITREP is but one indicator of military readiness and does not measure a unit's ability to accomplish combat missions.

Readiness and Sustainability

The Congress and OSD have asked for the development of improved analytical capabilities to assess readiness and sustainability. The performance of the military in these areas is influenced by the quantities and condition of both personnel and materiel and the ability of the military to maintain, transport, and distribute these resources. Through the 1978 Defense Authorization Act (Public Law 95-79), the Congress tasked the Secretary of Defense to project the effect of appropriations on materiel readiness,[2] i.e., to ". . . connect dollars to readiness." As a result, the annual Defense Guidance[3] since that time has directed the services to develop methods to model the relationship of force readiness to associated manpower and dollar resources.

Force Structure and Modernization

DOD historically has assessed changes in force structure and modernization by tabulating the types and quantities of weapons in each military unit and division and, in some cases, by comparing these tabulations with intelligence estimates of the comparable equipment held by other national forces. Since the mid-1960's, an assortment of DOD and intelligence agencies have tried to find more satisfactory measures of force structure and modernization. These agencies have used various analytical methods to relate inputs in terms of prebattle force structures to outputs, which are derived by analytically projecting the military's performance in executing wartime missions.

Basically, there are three types of analytical models used for this purpose--static models, simulation models, and a hybrid of the first two. In static models, each weapon in the United States (U.S.) inventory is assigned a qualitative weight or score which ranks every weapon against other U.S. weapons and also attempts to evaluate enemy forces in the same way. Simulation models involve a dynamic, two-sided combat war game which attempts to replicate combat and to assess how well the U.S. forces could be expected to perform against a specific enemy force. In recent years, there has been an increasing use of a third type of model, which is a combination static simulation. This hybrid model is said to take advantage of certain benefits of both static and simulation techniques.

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[2] Because readiness and sustainability are so closely related, from the perspective of capability assessments, they are often treated at the same time. Both terms may not, however, always be used. During this review, we also found that the services are not consistent regarding what factors they include under the readiness and sustainability pillars, further complicating a clear distinction between the two.

[3] The Defense Guidance is the primary OSD guidance document for providing central policy and direction for program development. This document presents the rationale for the defense program and covers military strategic concepts and objectives; planning and programming guidance; force levels; and manpower, support, and fiscal guidance.

CHRONOLOGY OF MILITARY CAPABILITY ASSESSMENT ACTIVITIES

For many years, the Congress and OSD have called for the development of better tools for measuring military capability. The first component of capability for which the services developed a quantitative measurement system was force readiness. In the early 1960's, the services reported combat readiness status in the Operational Readiness Report, which evolved into the Force Status and Identity Report in 1968 and the UNITREP system in 1980. DOD provides additional indicators of readiness in the Situation Report; the Force Readiness Report; the Annual Capability Report; and other documents, which are identified in our June 13, 1985, report, Measures of Military Capability: A Discussion of Their Merits, Limitations, and Interrelationships (GAO/NSIAD-85-75).

In January 1984, the Secretary of Defense cited UNITREP data in his 1985 budget report to the Congress, stating that the percentage of U.S. units attaining C-1 or C-2 combat ready ratings had increased by 39 percent. The Congress questioned what this figure meant in terms of actual military improvements. The figure cited represented a combination of all service ratings. Although there had been a large increase in the number of Navy units attaining C-1 or C-2, there had also been a 25-percent decrease in Army units and a 15-percent decrease in the Air Force units reporting a C-1 or C-2 status. In commenting on this fact, the Chairman of the Joint Chiefs of Staff said that UNITREP should not ". . . be used to describe the readiness of the force to the taxpayer. It is an internal management tool." These events prompted much congressional interest and DOD activity in trying to better define and measure military capability, including:

--In 1984, at the direction of the Congress, the Secretary of Defense created the Strategic Plans and Resource Analysis Agency within JCS. This activity was tasked with analyzing how DOD program and budget proposals impact U.S. war-fighting capability and identifying planning issues which could integrate service resource requirements.

--In 1984, a DOD report to the Congress, Improvements in U.S. Warfighting Capabilities, 1980-84, responded to congressional questions about how U.S. war-fighting capability had improved since 1980.

--In April 1984, the Secretary of Defense established a readiness task force chaired jointly by JCS and OSD representatives. The group was directed to try to develop models which relate the capability impacts of alternative resource inputs and logistics support measures and factor in any other meaningful measures of force readiness and overall combat capability which the task force identified. This group decided to first focus on UNITREP. After reviewing it, the task force recommended changes to this system in January 1985.

--Later in 1985, JCS responded to the proposed readiness task force changes and concluded that with one exception, (dealing with determination of Navy aircrew training readiness, see p. 13) the proposals did not significantly contribute to satisfying the Secretary of Defense's objective of clearing up confusion about capability increases in DOD. JCS also said its staff was now developing a new capability report, the Military Status Report (discussed further below).

--In October 1985, the Deputy Secretary of Defense initiated a new steering group under the OSD Director of

Program Analysis and Evaluation. This group was tasked with developing a set of measures of military capability. According to steering group officials, their first priority was to review the Military Status Report. The group submitted comments on this report to the Secretary of Defense in January 1986. According to steering group officials, the group now intends to review other capability assessment systems, including the Army's Measuring Improved Capabilities of Army Forces (MICAF) system and the Technique for Assessing Comparative Force Modernization (TASCFORM) which is under development for OSD's Office of the Director of Net Assessment. (See pp. 26 and 29 for descriptions of these systems.) The group wants to determine if these systems have potential for use as capability assessment tools for evaluating all the services.

--The JCS Operations Directorate compiled inputs from the services and formulated the Military Status Report in the fall, 1985. This report is a compilation of various service-selected indicators of capability summarized to show increases in military capability since 1981. The Military Status Report graphically presents various war-fighting categories (e.g., strategic offensive forces) and displays improvements achieved within these categories. Information presented in this report was compiled from various service documents, systems, and reports. The Army included data from its new MICAF system, and the Air Force included analysis from its new Relative Capability Assessment, which calculates changes in force capability against some predefined representative targets or goals.

UNITREP--AN INDICATOR OF MILITARY READINESS

UNITREP is currently the only DOD-wide system that measures the status of critical resources at the unit level. It reports the inventory status and condition of both people and equipment. While UNITREP is not intended to measure all variables which affect a unit's readiness--it does not, for example, measure impacts of qualitatively different weapon systems (M1 tanks vs. M60A3 tanks) or intangibles, such as morale and leadership--it is an important readiness indicator and internal management tool.

Differences in UNITREP Implementation

The JCS implemented UNITREP in 1980 to support the National Command Authorities and to help identify which units are ready if a conflict occurs. JCS provided policy guidance and implementation instructions to the services, but gave them latitude to interpret some of these instructions. Now each service maintains its own UNITREP data base and implements UNITREP differently through supplemental regulations (see table I.1 for examples of differences). Because of this lack of uniform implementation, UNITREP should not be used for comparing readiness among the services. For example, JCS instructions ask all services, in determining aircrew training readiness, to measure against their wartime crew level requirement. The Navy, however, has decided to measure against peacetime authorized levels. The Navy believes units should not have to degrade themselves in both the training and personnel ratings if for budgetary reasons aircrews at the wartime levels cannot be provided.

Additionally, intraservice comparisons of UNITREP data may be misleading. For example, Army units which do not have required equipment may substitute existing equipment. Thus, comparing units' equipment-on-hand ratings would not necessarily reveal the units which have shortages of required equipment.

Table I.1

Service Differences in UNITREP Implementation

Issue	Army	Navy	Air Force	Marine Corps
Is the aircrew training C-rating computed based on wartime requirements?	Yes	No	Yes	Yes
Can the commander subjectively change the unit's overall readiness C-rating?	Yes	No[a]	Yes	Yes
Are critical skill levels measured in the personnel ratings?	No	Yes	Yes	Yes
Are training ratings based on objective, quantifiable criteria?	No	Yes	Yes	No[b]
Are supplies/sustainability items included in the equipment and supplies-on-hand resource area C-rating?	No	Yes	Yes	No

[a] Although the Navy does not allow subjective changes, it accomplishes essentially the same thing through an internal process (see p. 16).

[b] While the criteria for aircrews are objective and measurable, criteria for ground units are more subjective.

Service flexibility in implementing UNITREP can impact readiness trend information. For example, until recently, officials said the Army had not extensively used the C-5 category (not combat ready due to special programs) for units in transition or undergoing reorganization, as other services do. Officials said the Army had decided to make more use of the C-5 category to be more consistent. Since C-5 units are considered separately in trend analyses, Army readiness trends may show improvements which are not based on resource improvements. Users lacking information about the cause of the trend improvement could erroneously conclude that it resulted from increased or improved resources.

Although DOD has repeatedly pointed out that UNITREP was never intended to be used as a comparative tool, it is the only common multiservice data system measuring readiness. Therefore, until another multiservice system is developed comparing unit status across the services, there will probably be a tendency to use it for this purpose.

Opportunities for Better UNITREP Reports

We analyzed some of the UNITREP implementation practices to determine their influence on reported readiness and to help identify how DOD might improve UNITREP data.

Linking Reserve Component Readiness Status to That of the Parent Unit

The readiness status of an Army division is a composite of the ratings of its active subordinate units. Some Army divisions depend on reserve components to "round out" their structure in case of conflict. However, under UNITREP, these divisions do not consider the readiness status of their roundout units in determining the division's status.

The Army recently proposed that divisions begin to compute a second set of UNITREP ratings that consider the roundout unit's readiness status. Commanders would provide these ratings, however, only in the Part 2 comments section of the division's UNITREP submission. This section of the report is not widely circulated to decisionmakers above the command level. Therefore, under the Army's proposal, key managers may not be aware of the impact of the roundout unit's readiness on the division's overall status.

Army headquarters officials believe the status of roundout units should not be reflected in divisions' reported ratings. These officials told us they needed to continue to separately assess the readiness of the parent active unit without the roundout, since the active unit would usually deploy earlier than the roundout and the division had only limited control over the peacetime status of these units. On the other hand, reserve component officials told us combined ratings which include roundouts would give greater attention to reserve component readiness issues.

According to the Total Force Policy,[4] Army roundout units are intended to be an integral part of their parent division. Thus the roundout unit's readiness status is an important aspect of the division's total readiness. An alternative to the Army's proposal would be to provide two ratings, one which includes the roundout units and one which does not.

Commanders' Ability to Subjectively Change UNITREP Status

JCS instructions allow a commander to subjectively raise or lower the unit's overall readiness rating if he believes the revised rating is a more accurate reflection of the unit's true readiness. All services except the Navy authorize subjective changes. These services believe the authority is necessary because UNITREP does not measure the readiness impact of intangibles, such as experience, morale, and leadership. Use of this provision, however, could affect the validity of comparisons.

Although the Navy does not authorize subjective changes as such, it accomplishes the same results through an internal process. Navy units can discount the single lowest rating in each mission area. These mission ratings in turn are used to determine the unit's four reported resource ratings. The Navy process could also impact intra-Navy comparisons. For example, two Navy units might have a C-2 overall rating when one of the units was C-4 in one resource area of every mission rating.

Army and Marine Corps officials told us that changes generally resulted in rating upgrades. Air Force officials were unable to generalize regarding the effect of changes. Service officials told us commanders, in making their subjective changes, may be mistaken or overly optimistic in their judgments because of concern that the ratings reflect their individual performance. On the other hand, commanders might be pessimistic because of a desire to highlight perceived problem areas and hopefully obtain additional resources. As a result, readiness trends or comparisons of the status of like units can be misleading. One way to address this issue would be to prepare two ratings, one which includes the commander's subjective assessment and one which does not.

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[4] The policy, initiated in 1973, is designed to integrate active, guard, and reserve forces into a total fighting force, increasing the roles and responsibilities of reserve component forces. Guard and reserve forces are to be the initial and primary augmenting forces to the active components.

Substitute Equipment Used in Army's Rating

Since Army units measure their equipment combat readiness ratings against new equipment requirements, the Army has difficulty accurately measuring equipment readiness when it cannot provide the necessary equipment. Units in the other services do not measure against the new requirements until the equipment is available. The Army's practice can result in lower readiness ratings until new equipment reaches the field, and in some cases this could take several years.

To compensate, the Army allows commanders to substitute other equipment for new requirements. In cases where the Army has established a plan to provide a unit its new equipment, the unit's existing equipment is considered substitutable for items on the requirements list. Otherwise, the Army suggests commanders restrict substitution to an approved list of substitutable items. However, the commanders currently can still substitute items not on the list.

Substitution can mask the readiness of units, in particular that of reserve component units. These units substitute more extensively and, in some cases, substitute nonstandard items which may not be supportable during war. Displaying the extent of substitution in UNITREP could help in identifying shortages of required equipment and improving the validity of comparisons of the equipment status of like-type units.

Personnel Qualifications

An important aspect in determining personnel readiness is the availability of personnel trained in their service occupations. The Army is the only service which does not fully measure required skill levels of its personnel in UNITREP ratings. The Army uses a five-digit code representing the career field, skill level, and special qualifications of each soldier's occupational specialty. The fourth digit indicates the soldier's skill level. For UNITREP purposes, however, the Army measures only against the first three digits. This means the Army is measuring only whether it has personnel in the required career field but not whether they have the required skill level.

Determining qualifications to at least the fourth digit of the occupational code would provide this information. Since it is also important to know whether soldiers are qualified at least in their career fields (determined by the first three digits of the code), UNITREP could show two separate ratings: one indicating whether the Army has personnel in the required career field and the other indicating whether it has personnel at the required skill levels.

Objectivity of Training Ratings

The Army and the Marine Corps processes for determining their training ratings are more subjective than those of the other services. Currently, Army and Marine Corps ground unit commanders, based on available information on their units' training performance, estimate how many additional weeks of training are required to be combat ready. These estimates determine the units' training readiness ratings. Both the Army and the Marine Corps have initiatives under way to better standardize a unit's required training activities. However, until these services can establish objective criteria to help commanders assess training status, comparisons of the readiness of like-type units within these two services may not be valid.

The Air Force and the Navy have established standard lists of training tasks and qualifications that serve as criteria for determining the training ratings.

Separating Readiness and Sustainability Items

Three of the joint OSD/JCS readiness task force recommendations dealt with creating a new resource area rating in UNITREP, a sustainability (S-) rating. (See p. 11). Currently, each service differs in whether it counts spares and support items in determining the equipment and supplies inventory readiness rating. OSD task force representatives proposed that the services separate such items from the readiness rating and count them under the new S-rating.

Most of the services did not fully support these recommendations. Navy officials considered certain spares and supplies as necessary to "deliver the outputs for which they were designed" and thus readiness items. The Navy considers resupply of these items to be sustainability. Marine Corps units do not control their own supplies. The Army disagreed that a sustainability measure should be included in a readiness report. Only the Air Force did not object to the proposal because aircraft spares kits could be easily identified and measured under the proposed rating.

The task force recommendation tried to reduce the impact of differences in the way the services count (or do not count) items in UNITREP. With this proposal, however, the services would still have the latitude to define the items to be evaluated under the readiness and sustainability categories. Consequently, it is unlikely that the new rating would accomplish the intended objective. To effectively implement the proposed change would require a more clear delineation and agreement on what resources should be counted in each category.

EVALUATING THE IMPACT OF READINESS AND SUSTAINABILITY ON MILITARY CAPABILITY

The resource areas which most directly impact readiness and sustainability are commonly referred to as logistics resources and include spare and repair parts; munitions; manpower; maintenance capability; support and test equipment; training; transportation; distribution capability; and petroleum, oil, and lubricants (POL).

Military managers thus face the question of how defense dollars should be allocated among the various logistics resource areas in order to obtain a desired level of readiness and sustainability. The question which must be addressed is what mix of resources can produce the greatest amount of war-fighting capability, given some finite level of funding.

Providing an answer to this question has proven to be a difficult and complex task. Congress has directed that DOD develop "quantifiable and measurable readiness requirements" and project the effects of appropriations requested for materiel readiness. While DOD has directed that these analyses be accomplished, the services have not yet been able to develop the capability to make such assessments.

Air Force Systems to Assess Readiness and Sustainability

Air Force efforts to develop a means of assessing and reporting on readiness and sustainability began in July 1976, when the Air Force Chief of Staff convened the Constant Readiness Conference. One finding of that conference was that the information available to Air Force management did not support decisionmakers in their efforts to identify and quantify the impact of alternative solutions for resolving readiness problems. The final conference report issued by the Chief of Staff called for the development of a ". . . responsive means of assessing and reporting combat capability." The following Air Force systems are intended to assist Air Force operational units, major command headquarters, and the Air Force Headquarters staff in making resources-to-readiness assessments. These systems have the same basic objectives. They differ in which Air Force command or organization they are designed to support and in the number and types of logistics resources included.

TAC PACERS Provides Data at the Unit Level

The Tactical Air Command Peacetime Assessment of Combat Readiness of Repairable Spares (TAC PACERS) is designed to project the supply level in each unit's War Readiness Spares Kit[5] during the first 30 days of war. TAC PACERS identifies and ranks critical items in the kit which are predicted to affect each fighter squadron's sortie capability[6] and aircraft availability to perform its wartime requirement. The system is designed to be used to make trade-off evaluations at the unit level to determine the effects of various alternative resource decisions on sortie capability. These alternatives may include such options as using partially mission capable aircraft[7] or accelerating the movement of spare parts out of a depot.

Weapon System Management Information System

The Weapon System Management Information system (WSMIS), developed and used by the Air Force Logistics Command, is designed to assess the readiness and sustainability of Air Force systems by identifying logistics support resources which may limit a weapon's combat capability. Currently, this logistics evaluation is limited to spare parts.

The baseline for the system, as with other Air Force systems which measure readiness and sustainability, is the Defense Guidance planning scenario.[8] The information produced is intended to represent wartime mission-related criteria. For example, for readiness, WSMIS will project the number of mission capable aircraft and for sustainability, it will project the number of sorties which can be generated. Using WSMIS, the Air Force intends to develop the capability to compare the contribution of not only spare parts, but also spare engines, POL, and other logistics resources to overall sortie capability.

The WSMIS design includes three different modules. The Readiness and Sustainability modules are operational at two Air Force commands and are undergoing testing at a third. The Get Well module, which is still under development, is supposed to integrate information from the other WSMIS modules and recommend alternative approaches for correcting logistics deficiencies.

Since January 1985, the Air Force has experimented with using data from the WSMIS assessments of sortie capability in the UNITREP system. Currently the UNITREP spares analysis is based on each unit's fill rate of its War Readiness Spares Kit--that is, what percentage of a given spares requirement the unit has on hand. Incorporating a WSMIS assessment in UNITREP provides a projection of the impact of spares on supporting a unit's aircraft availability. Thus, Air Force officials believe, the UNITREP equipment-on-hand C-rating may become a more meaningful evaluation by assessing the relationship of spare parts to combat potential.

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[5] The War Readiness Spares Kit is an air transportable package of war reserve materiel (spares, repair parts, and related maintenance supplies) required to support planned wartime or contingency operations of a weapon or support system for a specified time pending resupply.

[6] A sortie is an operational flight by one aircraft.

Logistics Capability Measurement System (LCMS)

The Logistics Capability Measurement System (LCMS) is being developed as a management information system for the Air Force Deputy Chief of Staff, Logistics. LCMS will identify Air Force logistics requirements to aid that office in obtaining and apportioning funds and overseeing logistics budget execution. The system uses a series of broad-based aggregate analytic models to project the number of aircraft sorties which can occur using varying levels of aircraft spare and repair parts, spare engines, fuel, and munitions.

The LCMS currently consists of three models, two of which are used for assessing spares requirements and a third for evaluating munitions. A fourth model is a prototype and is designed to evaluate a wartime sortie profile to determine where fuel shortages might occur and how best to restructure the logistics system to correct anticipated shortages. A fifth model will try to integrate inputs from the two spares models and the munitions and POL models to produce recommended levels of support in these resource areas to achieve maximum sortie capability.

According to Air Force officials, there is some concern that the broad macro-type assessment which this and similar systems generate may not provide the kind of detailed analysis needed to generate valid logistics requirements. Officials said the integration of LCMS with more detailed analyses provided by simulation models could improve this system and provide a more balanced projection of logistics requirements in supporting wartime conditions.

Air Force Capability Assessment Program

The Air Force Capability Assessment Program (AFCAP) represents a recent redirection of the former Air Force Integrated Measurement System (AFIRMS). Air Force officials told us that although the AFIRMS project had been initiated in 1978, the system development effort had faltered. An October 1985 internal Air Force assessment revealed significant questions about AFIRMS' concept, scope, and program management.

AFIRMS' objective was to collect information on tactical air wings' resource availability and the status and capability of aircrews, aircraft, maintenance support, and base support facilities. This information would be compared with the wings' combat operation plans to determine how many of the required combat sorties can be generated. Individual wing capabilities would be transmitted and aggregated at the appropriate major command. Resources controlled at the theater level (i.e., POL

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[7] A system or equipment is considered mission capable when it is safely usable, and can perform at least one of its assigned missions and fully mission capable if it has all mission-essential subsystems installed and operating as designated by a military service.

[8] The Defense Guidance planning scenario is the Secretary of Defense's guidance to the military services regarding the type and condition of warfare they should use as the basis for developing force requirements. It provides a continuum of events and time frames which the U.S. military forces should be prepared to combat.

and munitions) would also be factored into the scenario to form an overall assessment of a given theater's or command's capability.

Air Force officials said that AFCAP will narrow the scope of the AFIRMS program. However, a clear delineation of AFCAP's scope and objectives will not be made until completion of the definition and design phase. The current milestone for the system's full implementation is 1995.

Army Logistics Assessment

The Army Logistics Assessment represents the primary available tool for projecting the readiness and sustainability of Army forces. This assessment indicates the status of 38 categories of logistics resources (for example, strategic lift, repair parts, POL, conventional ammunition, and missiles). Resource requirements in each logistics category are established for each day of a scenario, and Army logisticians manually compute what percentage of the anticipated logistics requirement can be met on each day of the war.

According to Army officials, this process is a useful assessment of Army readiness and sustainability. However, the process is very labor intensive and can be completed only once each year. Army logisticians have recognized the need for an enhanced logistics assessment and have initiated the Army Logistics Assessment-Extended. This program is intended to provide an automated methodology for evaluating the criticality of various resource shortages and the relative resource funding priorities to achieve the greatest increase in war-fighting capability. Current plans provide for using a computer analysis based on an existing Army capability assessment model.

In addition to the readiness and sustainability information made available by the Army Logistics Assessment, the Army's Total Army Analysis, which is primarily used for analyzing changes in force structure, also provides input to the overall evaluation of readiness and sustainability. For example, one model is designed to determine whether the force can be transported to an area of conflict in a timely fashion and another model tries to determine what support units a combat unit would require to effectively perform its mission. The Total Army Analysis is discussed further on pages 25 and 26 of this report.

Navy Assessments of Readiness and Sustainability

Navy officials identified three types of assessments currently used as the primary analytical tools for evaluating readiness and sustainability. A fourth assessment technique is under development.

Existing Analytical Tools

Simulation Package for Evaluation by Computer Techniques of Readiness, Utilization, and Maintenance (SPECTRUM) simulates the logistics activities supporting aircraft wings on a carrier or at a naval air station. The purpose is to evaluate alternative support scenarios to help in determining resource requirements. The inputs for the SPECTRUM assessment include the number of aircraft, available test equipment, total flying hours, cost estimates, available funding levels, personnel, and maintenance management policy. Using this mix of resources, SPECTRUM determines how many aircraft combat sorties can be generated and how ready the aircraft are when measured by peacetime mission and fully mission capable standards. SPECTRUM identifies where aviation resource limitations occur. However, it does not develop a preferred mix of resources.

Navy officials said that SPECTRUM is used as needed to assess funding decisions and to develop and justify budget requests. SPECTRUM also is used to evaluate trade-offs between other factors such as staffing levels and aircraft use.

The Navy has been using nonnuclear ordnance requirements models since 1975 to determine its annual requirement for two different types of conventional ordnance. One series of ordnance models determine how many torpedoes, antiship cruise missiles, antiair missiles, and surface-to-air missiles are needed. The models also measure effectiveness by estimating the percentage of combatants who do not run out of ordnance before their allocated portion of the threat or enemy targets has been killed. In developing requirements for more common types of conventional ordnance, the Navy uses three models which calculate (1) sorties generated and the number of aircraft available for a defined scenario, (2) the best weapon system to generate the sorties and aircraft availability rates, and (3) the ordnance required to support the weapon systems.

Baseline Area Assessment, a process which evaluates the Navy's ability to provide timely transportation of logistics support resources to battle groups under defined maritime scenarios, evaluates the ability to transport materiel along the points in the logistics chain, from point of origin to the operational battle groups.

Assessment Techniques in Development

Navy officials said the Navy is attempting to link historical changes in specific resources to changes in readiness. However, that linkage has been difficult to establish. Navy analysts, by developing mathematical formulas, are trying to determine if and how much of a relationship exists between historical changes in resources and changes in readiness. For example, did additional spare parts increase the availability of aircraft and, if so, by how much? If historical relationships can be established, officials hope to use them to predict the best mix of future resources. Officials said the Navy is at the early stages of developing initial formulas.

Horizontal Integration Aims to Improve JCS Assessment Capability

Horizontal Integration is a developmental project for the logistics directorate of the JCS. The project's objective is to analytically evaluate readiness and sustainability goals of combined U.S. military forces and compare the potential contribution of various mixes of logistics resource acquisitions to required war-fighting capability. Four logistics resource areas will be evaluated: munitions, major end items, repairable spares, and mission support equipment. The system is intended to

- --determine the mix of logistics resources needed to support the Defense Guidance planning scenario and various other hypothetical operational plans,
- --identify resource shortages and priorities for acquiring resources to most cost-effectively meet defense requirements, and
- --evaluate the potential logistics capability to be acquired during each year of the Five Year Defense Plan.

This information is expected to be useful to JCS in recommending alternative strategies and positions for issues addressed by the Defense Resources Board (DRB), which is the major decisionmaking body in the DOD resource allocation process. We were told by JCS officials that the lack of analytical tools to quantify the adverse impact of logistics shortages on potential war-fighting capability had weakened the Chairman's effectiveness in supporting readiness and sustainability issues before the DRB. Horizontal Integration is intended to improve the ability of JCS to accomplish the required analyses. JCS officials said this system could now assess 72 munitions classes. The current estimate for expanding the system to cover other resource areas is the end of fiscal year 1987.

EVALUATING THE IMPACT OF FORCE STRUCTURE AND MODERNIZATION CHANGES ON MILITARY CAPABILITY

Defense managers must decide what weapon systems to modernize, how many to buy, and what other force structure changes to make to develop an integrated force. Military models are used to support this decisionmaking process. These models provide input to the resource allocation process to help assess the impact of current decisions on future war-fighting capability. While the models are not expected to be able to predict the future, in theory they can provide a limited but systematic methodology for examining alternative future courses of action. For purposes of this discussion, we refer to military force structure and modernization models and analyses as combat assessments.

Army Combat Assessments

The Army uses computerized war games, combat simulations, and analytical models[9] to help evaluate combat capabilities and determine resource requirements. Two primary analyses which are based on these processes are OMNIBUS--the Army's annual assessment of current capability to meet the threat--and Total Army Analysis (TAA)--the Army's assessment of future combat and support force requirements to meet the threat. The Army uses these studies in its planning, programming, and budgeting process. The Army has also developed an assessment called MICAF, which was specifically developed to provide information to the Congress about recent improvements in the Army's combat capability.

OMNIBUS and Total Army Analysis (TAA)

OMNIBUS and TAA are based on a series of models and analyses which attempt to identify major factors that may affect overall Army combat performance. For example, a transportation model is used to analyze the Army's ability to move reinforcing units, replacement personnel, and resupply items into a combat area, and a logistics model tries to determine what the support requirements will be. The main components of the OMNIBUS and TAA analyses are the models which represent actual combat operations.

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[9] Although the terms "war gaming," "simulation," and "analytical modeling" are sometimes used interchangeably, they have different purposes and normally require different techniques. "War gaming" applies only to the analysis of combat situations in which human players form a part of the decision process. Hence, models are components of war game analysis, but are not war games themselves. War gaming is most often used for training purposes, but also offers information which can be useful in developing combat strategy and tactics and for resource planning. "Simulation" is a type of model which replicates some reasonably well understood process. To use simulation, one must have sufficient knowledge about a process to model it and specify what events are expected to occur and their probability of occurring. "Analytical models" mathematically represent combat processes to calculate combat measures of effectiveness. These models are used when uncertainty exists about the basic process to be modeled or when the objective is specifically to calculate a measure of effectiveness.

To implement a combat modeling process which tries to portray actual combat operations, the Army has sought to develop a series of models--a hierarchical family--which could be used to represent combat operations at the various Army organizational levels. One model would represent battalion or company operations and provide input to the model representing the next higher level of combat operations, the corps or division. Outputs from the latter model would be input to the model representing combat operations at the next higher organizational level--the theater.

The hierarchy concept, however, has proven difficult to implement. The corps/division level model was not designed to accept inputs from the battalion level model or provide outputs which were compatible with the theater level model. Efforts to make the required revisions have been unsuccessful. Army officials said that some progress had been made in developing an improved model to meet the needs of the model hierarchy, but they did not know when it would be available. Additionally, Army officials recognize that the model used to project combat operations at the theater level has many limitations and they are trying to implement an improved version. Army officials told us these and other needed improvements are being sought through the Army Models Improvement Program.

Measuring Improved Capability of Army Forces(MICAF)

MICAF is an analytical process developed for measuring and reporting how the capabilities of active and reserve component forces improve as new items are introduced into the force. MICAF uses a model to quantify the combat potential of a division and the combat contribution of its individual weapons. This model, the Analysis of Force Potential, quantifies the estimated number of targets killed for specific items in a unit and the resources expended in achieving those kills. The inputs can be adjusted to reflect the influence of different combat support and combat service support scenarios.

The model output provides values for each selected weapon and is intended to represent the ratio of targets killed to weapon system losses. The model then adds the value of each weapon system in the division's inventory to estimate the division's overall combat potential. This composite value is intended to reflect the total impact of modernization (improvements in weapons' quality) and of force structure (increases in the number of weapons in a division's inventory).

The Analysis of Force Potential is a static measure that does not explicitly deal with the dynamics of warfare. Although Army officials told us that this system is superior to earlier static models, OSD officials told us that such broad-based macro assessments may not be capable of validation and questioned the model's ability to provide meaningful results.

Air Force Mission Area Analysis

The Air Force Mission Area Analysis was designed to assess Air Force war-fighting capabilities and identify limiting factors. The Air Staff Board and the Air Force Council use results in the budget process to analyze force structure and modernization decisions.

The models used in the Mission Area Analysis process compare the relative combat contributions made by current and future weapons systems and support elements. Because of the broad scope of the objectives, the process contains numerous assumptions and limitations. Air Force officials consider this analysis only one of many tools to support decisionmaking and restrict its use outside the Air Force, because they believe the results may be taken out of context.

Mission Area Analysis uses four analytic models representing the strategic offense, defense, theater, and force projection missions. These models provide a framework to define the required war-fighting and support capability for a specified mission objective and to reflect how well the Air Force attains its primary mission objective of achieving and maintaining air superiority.

Air Force officials have told us that because the evaluation is a macro assessment, and includes a number of questionable assumptions, its usefulness for determining force requirements is limited.

Navy Combat Assessments

Studies employing analytical or simulation models of naval conflict are conducted to provide input at major decision points in the Navy planning, programming, and budgeting process. Navy officials have told us the Navy's approach to combat assessment relies chiefly on fleet exercises and increasingly on war gaming. The Navy has not maintained a continuing modeling capability but does its modeling principally on a decision oriented ad hoc basis. According to Navy officials, many different models are available that analytically represent overall naval war-fighting capability, any of which may be used for a given study or analysis.

The Navy's primary combat assessment activity is performed by the Director of Naval Warfare, who is required each year to prepare Warfare Area Appraisals for all mission areas, such as antisubmarine, amphibious, electronic warfare, and space. The appraisals' objectives are to observe trends in current warfare capability and project capability 5 and 10 years into the future. Shortcomings in capability are identified and solutions--or war-fighting improvements--are recommended. If solutions are not readily identified, the appraisal process may recommend actions to determine how to cope with the threat.

JCS CAPABILITY ASSESSMENT PROCESSES

In September 1978, the Joint Chiefs of Staff established a requirement to develop analytical procedures which assess U.S. and Allied force capabilities worldwide. To meet this requirement, JCS developed the Total Force Capability Assessment (TFCA). More recently, JCS has initiated several developmental efforts to improve its analytical capability in this area, one of which is the Forces Planning Program.

Total Force Capability Assessment

According to JCS officials, the term "TFCA" actually refers to two different concepts, an annual assessment and the analytical methodology whose objectives are to

- --improve analytical support for the Joint Strategic Planning System and assist in other force assessment efforts;
- --assess total capability to oppose specific threats; and
- --jointly assess land, sea, and air capabilities.

TFCA provides an overview of the forces' balance by individually and collectively assessing sea, land, and air forces; identifying mission overlap; and evaluating the overall war-fighting process, including interactions between the services. Representatives of each military service take part in this war gaming exercise. Each year the TFCA process takes about four months to complete and could not be readily replicated using different resource inputs for comparative analysis.

JCS Forces Planning Program

To improve its analytical capability, JCS has initiated the Forces Planning Program. This system is intended to be a primary analytical tool of the new JCS Strategic Plans and Resource Analysis Agency. DOD established this agency at the request of the Congress to improve JCS' analytical capability and to support the Joint Chiefs' independent judgment of the readiness, logistics, and doctrinal impacts of defense budget and program proposals.

According to JCS officials, DOD has no integrated set of analytical tools to quickly and comprehensively assess trade-offs among military force postures, levels of effectiveness, strategies, and cost. Officials said such information would be useful to the JCS Chairman in providing input to the President and the Secretary of Defense on the capabilities of current military forces and on the recommended composition of future U.S. forces. The JCS Forces Planning Program, which was initiated in 1984, is a 3-year developmental effort designed to provide this data. The primary objective of this effort is to provide a technique to assess the composition, capabilities, costs, strategies, risks, and other factors of alternative military force mixes. The secondary objective is to identify and assess alternative force postures for development of the Defense Guidance.

JCS officials told us that the Forces Planning Program system will consist of two basic models, a force effectiveness model and a cost model. Both are still in development. The force effectiveness model is designed to allow military analysts to make force trade-offs using very general and aggregate data, such as combined firepower scores of various weapons groupings. The cost model is designed to provide the associated costs of weapons systems and logistics support for various force compositions. Officials have said integrating these two models and incorporating logistics impacts are very difficult and have yet to be accomplished. JCS currently estimates the model integration effort will be completed by October 1986.

OSD Net Assessment Sponsors Development of Systems to Assess Combat Capability

The OSD Director of Net Assessment is responsible for advising the Secretary of Defense on U.S. military capability and on how that capability compares with that of other national forces. According to a net assessment official, there is currently no real consensus in the intelligence and DOD communities as to adequate, acceptable measures of effectiveness for making conventional force comparisons. Several systems are being developed by Net Assessment which are intended to improve existing combat assessment capability. These systems include the Technique for Assessing Comparative Force Modernization (TASCFORM) and the Rand Strategy Assessment System (RSAS).

Technique for Assessing Comparative Force Modernization

The original objective of TASCFORM was to develop a comprehensive technique for comparing the modernization of the conventional weapons of the U.S and the Soviet Union. Tactical aviation forces were chosen as a test case. A model was developed which uses a mathematical function to compare the performance potential of tactical aviation systems in five mission roles (for example, close air support and fighter). The methodology provides a system for scoring individual aircraft and ranking them relative to their mission performance capability. The main application for these scores is to weight force inventories. For instance, when the results of multiplying the aircraft average system performance scores by their inventory levels are totaled for a given force structure, the results represent a basic measure of force potential which can be compared to an opponent's score.

The basic design approach for TASCFORM consists of developing quantified measures of effectiveness which are intended to represent the quality (as represented by weapon system performance) and the quantity (as represented by inventory levels) of each side's operational inventory at specific points in time. Changes in the resultant values over time are then interpreted as relative force modernization rates.

The TASCFORM system is a static measurement tool. System designers say it provides a very macro assessment. Therefore, it cannot be used to predict the outcome of specific combat engagements nor should it be used alone to determine detailed acquisition strategies. OSD officials have said that it may not be effective in defining a global assessment of comparative weapons modernization as it was intended. Navy officials were critical of its representation of Navy combat, but contractor personnel said the Navy portion of the system is being modified.

Rand Strategy Assessment System

Development of the Rand Strategy Assessment System stemmed from a 1978 Defense Science Board Summer Study conclusion that improvements were needed in comparative analyses of strategic nuclear capability. The concept was later expanded to include conventional as well as nuclear warfare. The system's current capability provides for evaluating ground and air combat in central Europe. However, modeling interfaces to represent the logistics functions required to support these combat operations have not been completed. Naval combat modules are planned, but have not yet been developed.

The RSAS is based on a new evaluative technique that combines war gaming and analytic modeling. According to OSD officials, human-interactive war games are slow and cannot be reproduced. RSAS tries to make war gaming more efficient and analytical by using computer models to replace some or all of the human element. Although people can still participate in the exercise, the intent is to capture most of the so called "expert judgment" so that a single analyst can use the system for exploring a range of combat scenarios.

Prototype development will not be completed until late 1986. However, an initial prototype is operational and will soon be installed at three DOD components (the Joint Analysis Directorate of the JCS, the Army Concepts Analysis Agency, and the National Defense University) as an initial testbed for government use and as an aid in the system development process. Military analysts we interviewed in OSD are optimistic about this system's potential, although they pointed out that many developmental and testing activities remain to be accomplished.

IMPROVEMENTS NEEDED IN MILITARY MODELING

Besides the unique systems-related problems discussed previously, there are a number of generic problems which impact the ability of models to reasonably predict war-fighting capability. These problems include selecting valid and realistic modeling assumptions, accomplishing model validation testing, and evaluating intangible factors.

Modeling Assumptions and the Need for Validation Testing

The credibility of model results is, to a large extent, influenced by the various assumptions which are made in developing the model. Despite the correctness of what is modeled, inaccurate or incomplete assumptions can invalidate the effectiveness of the modeling output.

A 1985 OSD analysis of the status of theater level war gaming included a quote by the Director of Rand's Strategy Assessment Center regarding the primary reason that contemporary combat simulations lack credibility. The reason cited was that:

> ". . . model results are driven by assumptions about: (a) which forces are counted; (b) the scores given to each force; (c) the attrition rates; and (d) the rates-of-advance assumption. It is possible to get drastically different results depending on assumptions."

The following two examples show how model assumptions affect the results of capability assessment analysis.

--The Army Materiel Systems Analysis Activity analyzed selected engagements of the 1973 Arab-Israeli war. A military analyst told us that using an existing evaluation model and data base, this organization had tried to determine whether its assessment model could replicate the actual outcomes of several battles. Evaluators found that certain model assumptions were invalid, creating inaccurate results. When the model was modified to correctly represent actual conditions, the actual combat outcome could be replicated with reasonable accuracy.

--At the Technical Center, Supreme Headquarters, Allied Powers, Europe, two studies of the same combat situation using different models produced different outcomes. One analysis assumed the defender could maintain a coherent position at the forward edge of the battle area so the opposing force could not break through. The second study used a model which did not make this assumption, and the opposing force achieved a breakthrough which cut off a large portion of the defending force--reversing the ultimate outcome of the battle.

Model validation, if properly accomplished to portray actual military operations, will generally identify erroneous model assumptions. However, OSD officials told us that the various weapons-scoring systems currently being used within DOD have not been adequately validated. We were told that not only had empirical validation of such methodologies seldom been tried but also that there had been few comparisons to determine the compatibility of weapons effectiveness scores developed by different models for assessing the same equipment. Furthermore, when comparisons were tried, major differences emerged. For example, in one recent case where two such scoring systems were applied to historical North Atlantic Treaty Organization and Warsaw Pact ground forces in central Europe, discrepancies in the vicinity of one or more allied corps emerged.

Air Force officials suggested that one approach to model validation is to compare the results of similar analyses to determine if they are compatible. For example, in the Air Force, the WSMIS and LCMS systems make similar assessments to support different Air Force organizations. They said that while comparisons of this nature are not the complete answer to the validation problem, they would help.

DOD and contractor officials told us that a primary reason for inadequate model validation is that necessary data is often unavailable or is of questionable validity. These officials indicated that additional data could be acquired from records of historical combat and results of testing activities and training and operational exercises.

Evaluating Intangible Factors

The so-called intangible factors, such as leadership, morale, and skill, are generally not treated in existing capability assessment models. However, in the case of air-to-air and ground combat, extensive empirical test data indicate that human interactions are statistically more important than aircraft or combat vehicle performance, avionics, weaponry, or other test variables included in combat models.

Evaluating the human impact on combat outcome has been the focus of some analysis in recent years. Major sources of data for these analyses are the Air Intercept Missile Evaluation/Air Combat Evaluation (AIMVAL/ACEVAL) tests in 1978 and the Advanced Medium Range Air-to-Air Missile Operational Utility Evaluation (AMRAAM OUE) in 1981 and 1982.

AIMVAL/ACEVAL was a series of mock battles which tested air combat tactics, as well as the capabilities of fighter aircraft and air-to-air missiles. In these exercises, pilots flying the smaller, less sophisticated aircraft found that by using a combination of unorthodox tactics and superior numbers, it was possible to defeat top rated Air Force and Navy fighters.

The AMRAAM OUE took place in a simulator facility in 1981 and 1982. Over 20,000 sortie equivalents were "flown." The simulated sorties pitted fighters with varied weapons and avionics against various numbers of threat aircraft with fixed capabilities. The test results indicated that human interactions are statistically more important than aircraft performance, avionics, weaponry, or any other test variables.

Analysis of a data base of about 200 ground combat battles indicated similar findings. This study concluded that for 60 to 80 percent of the battles analyzed, the numerically superior force was victorious. Furthermore, for the great majority of the exceptions, success of a numerically inferior force was due to one or more of the following: defensive posture; surprise; or qualitative superiority due to leadership or better troops. This data base has been expanded and is currently being further analyzed in the Combat History Analysis Study Effort at the Army Concepts Analysis Agency.

LIST OF ACTIVITIES VISITED

Office of the Secretary of Defense, Washington, D.C.

Office of the Joint Chiefs of Staff, Washington, D.C.

Headquarters, United States Air Force, Washington, D.C.

Headquarters, United States Army, Washington, D.C

Headquarters, United States Marine Corp, Washington, D.C.

Headquarters, United States Navy, Washington, D.C.

Headquarters, United States Air Force Reserves, Washington, D.C.

Headquarters, United States Army Reserves, Washington, D.C.

Headquarters, United States Marine Corps Reserves, Washington, D.C.

The National Guard, Washington, D.C.

Reserve Forces Policy Board, Washington, D.C.

Headquarters, United States Navy Atlantic Fleet and the Naval Surface Force, United States Atlantic Fleet, Norfolk, Virginia

Headquarters, Air Force Tactical Air Command and First Tactical Fighter Wing, Langley Air Force Base, Virginia

Headquarters, Air Force Logistics Command, Wright-Patterson Air Force Base, Ohio

Headquarters, United States Army Forces Command, Fort McPherson, Georgia

Headquarters, First United States Army, Fort Meade, Maryland

Army Concepts Analysis Agency, Bethesda, Maryland

Army Inventory Research Office, Philadelphia, Pennsylvania

Air Force Institute of Technology, Wright-Patterson Air Force Base, Ohio

Analytic Sciences Corporation, Arlington, Virginia

The Brookings Institution, Washington, D.C.

Center for Strategic and International Studies, Georgetown University, Washington, D.C.

Decision Science Consortium Inc., Falls Church, Virginia

Historical Evaluation and Research Organization, Fairfax, Virginia

Logistics Management Institute, Bethesda, Maryland

Military Operations Research Society, Alexandria, Virginia

Northrop Corporation, Hawthorne, California and Washington, D.C.

Rand Corporation, Santa Monica, California and Washington, D.C.

Synergy Inc., Washington, D.C.

Veda, Inc., Las Vegas, Nevada

NAVY AND MARINE CORPS EFFORTS TO MEASURE READINESS AND MILITARY CAPABILITIES

House of Representatives,
Committee on Armed Services,
Readiness Subcommittee,
Washington, DC, Thursday, March 6, 1986.

The subcommittee met, pursuant to notice, at 2:15 p.m., in room 2337, Rayburn House Office Building, Hon. Dan Daniel (chairman of the subcommittee) presiding.

STATEMENT OF HON. DAN DANIEL, A REPRESENTATIVE FROM VIRGINIA, CHAIRMAN, READINESS SUBCOMMITTEE

Mr. **Daniel**. The subcommittee meeting will be in order.

This afternoon the subcommittee continues its hearings on the problems and its efforts to improve its capability to measure readiness and military capability with testimony from Navy and Marine Corps witnesses.

Our Navy witnesses are Vice Adm. Donald S. Jones, Deputy Chief of Naval Operations, Plans, Policy and Operations, and Rear Adm. Grant A. Sharp, Director, Program Resource Appraisal Division. Gentlemen, I understand this is your first appearance before the subcommittee and we are glad to have you.

It is just like the Marines to send in a veteran of these proceedings, and we would like to welcome back Maj. Gen. Edwin J. Godfrey, Director, Operations Division, Headquarters, U.S. Marine Corps.

I might stop here, General. You've heard this before but I want to repeat it again. A few days ago over in the Intelligence Committee we had two three-stars and one one-star. The one-star was a marine and both of my brothers and my only son are marines. I didn't say they were marines, I said they are marines, still are. But, in any event, I asked them if it was true what my brothers and my son had told me. That a one-star was equivalent to four-star in any other service, and he agreed with that. So I assume you do too?

General **Godfrey**. Oh, absolutely, sir.

Mr. **Daniel**. As I indicated yesterday, these hearings reflect the longstanding and continuing interest by Congress in the development of systems to measure readiness and military capability in relation to funding decisions.

We all recognize that this is a tough task due to all the variables and complex interactions involved. We are also aware efforts to do so have generated a lot of political controversy in recent years. The fact remains, however, that Congress has been asking for better tools to relate readiness and military capabilities to dollars since 1978 and we have little to show for it.

I do not think we can afford to wait another 8 years. In my opinion, the absence of straightforward and relevant measurement systems has been a major factor in the erosion of public and congressional support for defense spending in the last 2 years.

Certainly, the lack of such systems has reduced the effectiveness of your supporters in Congress to counter charges that the American taxpayer has not gotten his money's worth in terms of increased readiness and military capability.

Much more serious is the prospect that Congress will be making major policy and funding decisions without even a rudimentary system to assess their impact on readiness and military capability. With all the emphasis on deficit reduction and Gramm-Rudman-Hollings (GRH), such decisions are not just possible but almost inevitable.

Providing Congress with increased capability to measure readiness and military capability in relation to funding decisions is not going to be an easy task, but I am confident that it can be done. More to the point, it must be done and the purpose of these hearings is to start the dialog with experts like yourselves to see that it is done as well as possible.

Mr. Whitehurst, I hope you will have something to say on the subject.

STATEMENT OF HON. G. WILLIAM WHITEHURST, A REPRESENTATIVE FROM VIRGINIA, RANKING MINORITY MEMBER, READINESS SUBCOMMITTEE

Mr. WHITEHURST. Just a few words, Mr. Chairman. I thank you and join you in welcoming our distinguished witnesses. As the Chairman has mentioned, Admiral Jones, I think this is your first appearance, as for Admiral Sharp; whereas General Godfrey is a seasoned veteran of the subcommittee campaigns.

We are pleased to have you back, General, and we hope you have passed on to your Navy shipmates that our subcommittee is not very dangerous, usually it is not, although today may be a little bit different.

Unless I missed my guess, I am sure your respective congressional leaders and officers have given you a rundown on yesterday's opening hearing. It was the first in our series on readiness and military capability. Hopefully, they brought you our message.

This subcommittee and indeed the whole Congress, as well as the American public, are all waiting for some way to get an accurate measure of the readiness and military capability for our Armed Forces. Chairman Daniel stressed in his opening statement yesterday that Congress has been waiting since its first request made in 1978.

Because of my particular interest in the Navy and Marine Corps I am especially concerned about something brought to our attention during yesterday's hearing.

A recently released GAO report on measuring military capabilities seems to indicate that the Navy is not as far along as the

Army or Air Force in the general area of developing effective systems for measuring readiness and military capabilities.

The Marine Corps, partially confirmed by a review of General Godfrey's statement, seems to be following their traditional approach. That is wait and see what somebody else comes up with and piggyback on the best system. I do not mean for that to necessarily be a derogative comment. At least it is a pretty cost effective approach.

More seriously, the development of effective systems to measure readiness and military capability has never been more important than it is today. Quite aside from the obvious military value of such systems, there is an important need for these systems as a tool to be used in budgeting. In these times of limited defense dollars, we simply have to make the right decisions to get the most from those dollars.

Gentleman, we look forward to your testimony as well as your assistance in doing everything we can to keep our readiness and military capability on the right track.

Thank you, Mr. Chairman.

Mr. DANIEL. Thank you, Mr. Whitehurst.

Gentlemen, let us underscore something that Mr. Whitehurst just said. I live in a pro-defense district and so does Mr. Whitehurst. The people that I represent do not know what we are doing insofar as improving the readiness. They do not understand the terms that we use.

Now, I have forgotten who it was but some philosopher said that if you want to be understood you must define your terms. That is what we need to do. I am not blaming anybody for it because none of us have come up with the right answer.

One service will have one measurement of readiness and another will have another and different components of the parts of the whole. But somehow or another we are going to have to come up with something that the American people can understand.

You know what the press does with these reports. They make it look like there is a cloud behind every silver lining. Somehow or another we have got to turn that around, and I do not know how to do it.

That is why we want to take the time of you experts to see if we cannot reach some sort of measurement that the American people can understand so they will know precisely what it is that we are doing.

We appreciate your attendance and you may proceed as you desire.

STATEMENT OF VICE ADM. DONALD S. JONES, U.S. NAVY, DEPUTY CHIEF OF NAVAL OPERATIONS FOR PLANS, POLICY

Admiral JONES. Thank you, Mr. Chairman.

With your permission I will submit my formal statement for the record, and in the interest of conserving your valuable time make a short oral statement before introducing Admiral Sharp, and perhaps then make ourselves available to your questions.

Mr. DANIEL. As you desire, sir.

Admiral JONES. Force structure, modernization, readiness, and sustainability, which we already readily refer to as the four pillars, are the indices by which we can measure the capability of our forces.

My recent experience as a fleet commander and in the early eightys as a task force commander of the 7th Fleet has permitted me the opportunity to watch the change in our Navy in the last 5 or 6 years. I assure you that it has indeed been major, significant and most gratifying.

During this period about 75 percent of our ships and 35 percent of our aircraft are newer and has developed new capabilities; training personnel, spares, readiness, and capability of all our units have greatly improved.

A consistent multi-service measurement tool to validate my conclusions, however, is very difficult. The Navy has multi-mission platforms different from the Army. The Navy's mission, function, and employment often prohibit us from entering a simplified system.

Readiness is really only one element of our Navy's capability and I would implore you to look at the four pillars I mentioned: force structure, modernization, readiness, and sustainability.

My expertise, if I have any, is in the operating of our forces and the analysis of their ability to fight in a time of war. Admiral Sharp brings unique expertise in programs analysis and modeling which I think will be valuable to you in your deliberations today.

So I would ask Admiral Sharp to make a few comments.

PREPARED STATEMENT OF VICE ADM. DONALD S. JONES

Mr. Chairman and distinguished members of the committee, I am grateful for the opportunity to appear before you to report on the high operational readiness of our Navy today and specifically to address the readiness issues raised in your 20 February letter to Secretary Lehman. While we have rebuilt our forces toward the 600 ship Navy goal, we have simultaneously achieved significant increases in combat readiness, as a result of the continuing support of the American people, their elected representatives in Congress, and the efforts of the dedicated men and women of our Navy selflessly serving at sea and ashore.

To preserve our freedom, to maintain our standing in the world community, to conduct the commerce so vital to our citizens' well being, and to carry out our obligations as the leader of the free world nations during troubled times, our nation must have a responsible national security strategy.

Maritime strategy is the component of national military strategy which relates maritime forces to the objectives of our national policy. The growth of the Soviet Union's Navy into a true global blue water navy, the increase of international terrorism, and the arming of many third world nations with sophisticated weapons demand that our maritime strategy be visible to friend and foe.

Today our forward deployed naval forces are in a consistently high state of readiness; they are readily and rapidly available, and provide the national command authority our most survivable military deterrent and flexible warfighting force. This flexibility enables the Navy to respond across the entire spectrum of possible crises and conflicts, from peacetime overseas presence missions to anti-terrorist responses and, should deterrence fail us, to conventional and nuclear war.

To accomplish our varied missions, and to move rapidly from one level of conflict to another, the Navy requires trained personnel, forward deployed in the proper type and number of ships and aircraft. To operate as a ready-to-fight unit, our deployed fleets also need the ordnance, equipment, and supplies to sustain each unit in top combat condition.

In sum, to maintain forward deployed forces; to deter potential aggressors; to respond to national tasking throughout the conflict spectrum; to defeat our enemies at sea should deterrence fail; and to accomplish all of these in the closest possible coordination with our allies and sister services, the Navy must be ready to fight and win a war at sea today or any day in the future. Such a high degree of preparedness requires continual emphasis on the readiness and military capability of our forces.

Although readiness is a primary topic of this hearing, I want to emphasize that readiness is just one part of military capability.

The four components that make up military capability, as you know, are Force Structure, Modernization, Readiness, and Sustainability. These four pillars are interdependent in two ways. First, different mixes can produce forces of equal capability or forces that meet differing threats at different points in time. Second, there is a resource interdependence, wherein, for example, investment in modernization may also have payoffs in readiness and sustainability.

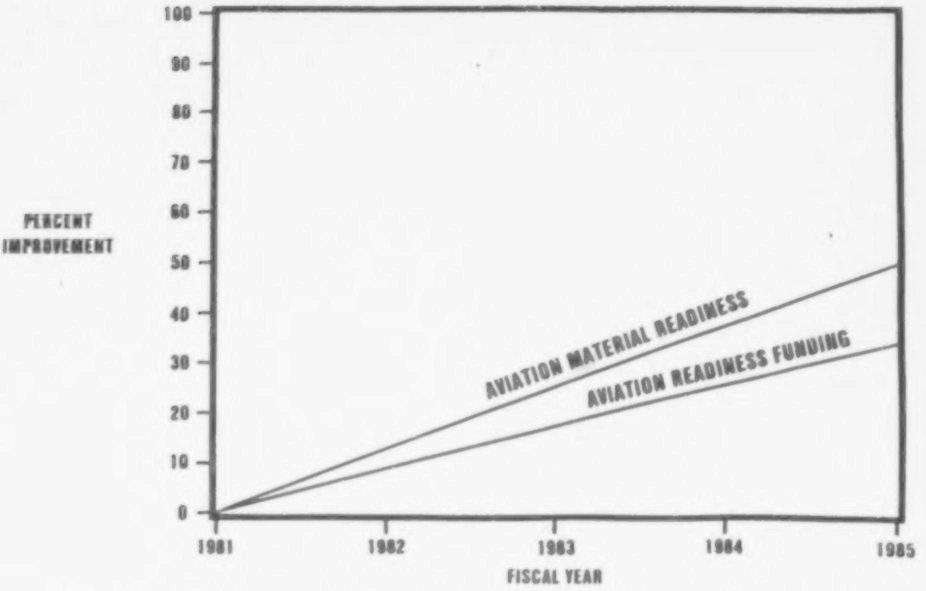
It is our conviction that the integration and synergism of the four pillars results in the most efficient allocation of scarce resources to provide the highest total military capability. Thus, while this four pillar tool illuminates decisions, helps to structure analysis, and significantly aids the decision process, it does not reduce the analysis of military capability to a simple calculation. There is still the need for informed military judgment.

With this said, I will now discuss how the Navy measures capability, and how we relate these measures to the allocation of resources. A necessary step in this process is to understand what qualities are required for measurement systems to be effective. Although such a list can be quite long, the following criteria, in order of priority, are considered essential to the Navy. First, systems must accurately reflect known changes as measured by historical data; second, they should provide consistent output results for changes in inputs, and accurately represent trends for such changes over time; next, they must be broad in scope in order to be applicable on a fleet-wide basis, and last, they must be flexible enough to accommodate qualitative and quantitative changes in our forces. I will use these criteria during my discussion to assess our various measurement systems.

In your letter of 20 February you asked us to address the utility of the unit status and identity reporting system (UNITREP) to measure readiness over time. The UNITREP report is not a measure of combat readiness. UNITREP does not reflect warfighting capability. UNITREP provides a situation report of a unit's ability to perform its assigned mission areas based on the status of integrated logistic support inputs—personnel, equipment, supply support and training. It is an incomplete measure that, in the case of the Navy, does not address major elements of readiness—OPTEMPO and battle force readiness, intermediate maintenance capability, status of fleet support activities ashore, and so forth. The UNITREP system does provide an integrated logistic support (ILS) status report that enables the National Command Authority, the Joint Chiefs of Staff, the Unified Commanders, and the Services to identify which units are ready at a particular point in time to perform the wartime functions for which those units are designed and organized. The CNO introduced the term ILS readiness in his FY 1987 Posture Statement to reflect more accurately what it is that is being measured. As a direct reflection of improved Congressional investment in national defense, a significantly increased number of units are reporting heightened readiness since 1981.

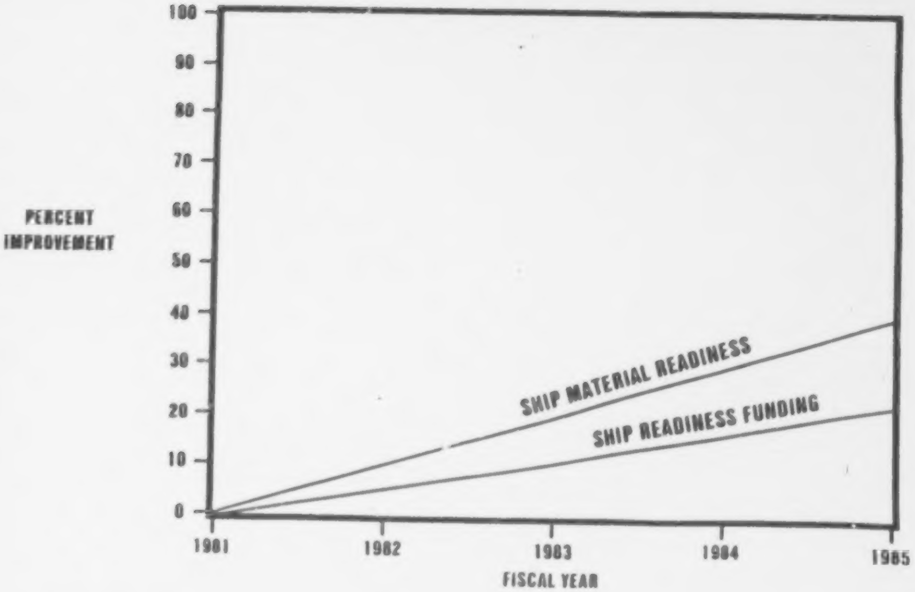
In response to the second point of your letter regarding our efforts since 1981 to improve the measurement of readiness and military capabilities, the Navy has also improved the separate systems we employ to measure the material readiness of ships and aircraft. Aircraft material readiness is measured by MC (Mission Capable)/FMC (Full Mission Capable) rates as reported daily by all aircraft squadrons. These MC/FMC rates measure the percentage of time an aircraft is able to perform at least one of its missions (MC) or all of its stated missions (FMC). This system is based on actual maintenance data and provides a detailed, thorough history of aircraft condition and material readiness over time. The system has been substantially improved since 1981 in the areas of data validation and the automation of data collection and documentation. These improvements have significantly enhanced our ability to identify aircraft components necessary to increase readiness at the squadron level. This aircraft material readiness system is responsive to changes in resource levels, accurately reflects trends, and has rapidly accommodated force changes. Specific results are that since 1981 our aircraft full mission capable rate has improved 50 percent, reflecting a 33 percent increase in aircraft readiness funding over the period.

AVIATION MATERIAL READINESS



Ship material readiness is measured by examining the amount of time a ship is free of mission-degrading equipment casualties. Equipment casualties are reported by all ships on an as-occurring basis and historical material readiness data and trends are available from 1981 to the present. Since 1981 we have been refining this system to make mission trend analysis more precise and to focus decisionmakers on major problems in equipment degradation which require resolution on a priority basis. As required of a good measure, it reflects the results of increased resources and the addition of new and improved ship classes. The time free of mission degrading equipment casualties for ships has improved 45 percent since FY 1981, while ship readiness funding has improved 23 percent.

SHIP MATERIAL READINESS



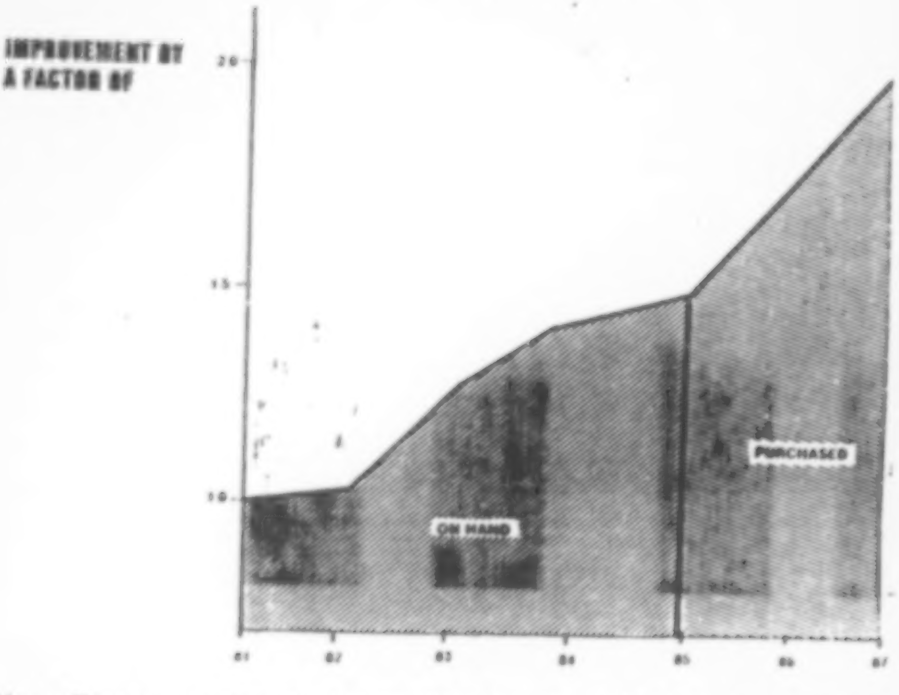
As you can see, we have several complementary measurement systems, which when taken together, provide a cross-check verification capability and the ability to address readiness problems from different perspectives.

In addressing the third point of your letter, the Navy has, and uses, additional measures to track specific elements contributing to readiness, and is developing analytical models that can describe the relationships between reported readiness and these specific elements.

Key specific elements that contribute to readiness and that are monitored are personnel, training, and spares. The most dramatic improvement of the last five years is the resurgence in the morale and capability of the thousands of young men and women who are daily manning our ships and squadrons in defense of our great nation. Since 1981, the percentage of ships and squadrons manned with the quality and quantity of sailors required to perform wartime missions has nearly doubled. Improvements in our manning posture are without question the solid foundation of our overall readiness improvements. For this reason, we will continue to place personnel readiness at the top of our spending priorities. We rely on your continued support to maintain the sound position we enjoy today.

In the area of training, there has been a threefold improvement in our ability to meet requirements for skilled technicians in the fleet while funding for individual training has increased 21 percent. We have substantially more spares available today to increase fleet readiness. Our spare parts bins are rapidly fillings, as parts bought in FY 1984 and FY 1985 reach the fleet.

IMPROVEMENT IN SPARE PARTS AT SEA (AVIATION)



Navy efforts to quantitatively link specific element contributions to readiness are based on using data from existing material readiness reporting systems and relating changes in those measures to changes in the levels of specific resource element levels. We have developed and are now in the advanced stages of testing and validating several analytical models that will do this. Most of our progress has been in the aviation arena where we are very close to being able to reliably related aggregate readiness funding levels to aircraft material readiness. Also in aviation, we are making significant progress in being able to quantitatively analyze through simulations the impact of specific resource elements (e.g., spares, manpower) on both the material readiness as measured by MC and FMC rates and on military capability of an individual aircraft carrier measured in terms of sortie rates and target kills.

Our approach in building these relationships for ships is much the same. Here, we are also applying the top-down, aggregate funding level approach and the detailed individual ship simulation approach. These efforts also are beginning to show promise.

To answer your fourth question on how the Navy manages the development, validation, and integration of the various readiness models and methodologies, the ability to address readiness from different perspectives in itself provides cross-check verification capability. Additionally, the Navy has designed a focal point within the Navy staff whose primary function is to review, update, and coordinate models and techniques with Navy laboratories, contractors and the Center for Naval Analyses.

Your fifth question concerned the amount of funding we are directing toward improvement in these areas. Since FY 1981 we have spent approximately $35M developing and applying improved techniques, with an additional $50 million projected over the Five Year Defense Plan (FYDP).

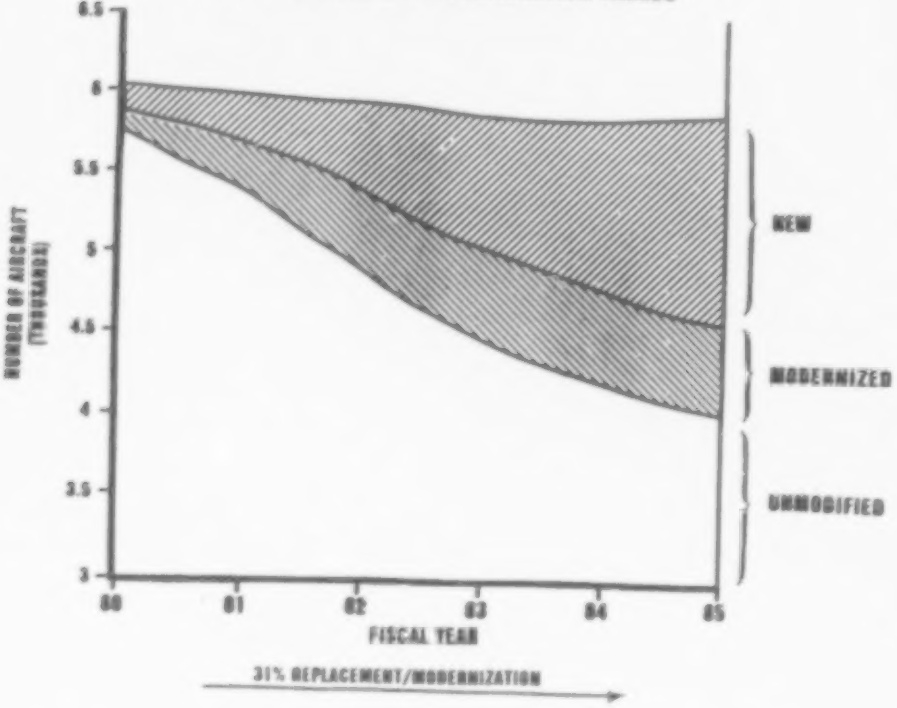
The next issue from your letter that I will address is recent efforts by OSDs to develop a "common sense readiness measurement system". As you can see from my statement up to this point, the Navy fully supports a system which employs the four pillars to measure military capability. Furthermore, we are actively pursuing improvements to our systems to better measure capability.

I would next like to address the Committee's last two concerns from the 20 February letter. Specifically, the need for greater commonality among and centralized control of the services' efforts to measure readiness and military capability. Our efforts are generally consistent and supportive of the other services and OSD, especially in the areas of sustainability and sealift/logistics and their relationship to readiness and capability. Additionally, they are also responsive to OSD control through our compliance with Defense Guidance assumptions, parameters, direction and contraints. However, it should be noted that the Navy's mission, function, and employment are unique. This uniqueness is due primarily to the multi-mission nature of our platforms, such as the CG-47, for example, which is designed to perform anti-air warfare, anti-submarine warfare, anti-surface warfare, and strike operations ashore with Tomahawk. These inherent qualities of naval operations make us different from the other services, thereby complicating the common and centralized approach.

Although I have displayed significant improvements in Navy readiness, recall that readiness is only one element of military capability. To measure military capability, we must look at readiness in combination with our progress in the other pillars. We have rebuilt and modernized our forces and are approaching the 600 ship Navy our maritime strategy requires.

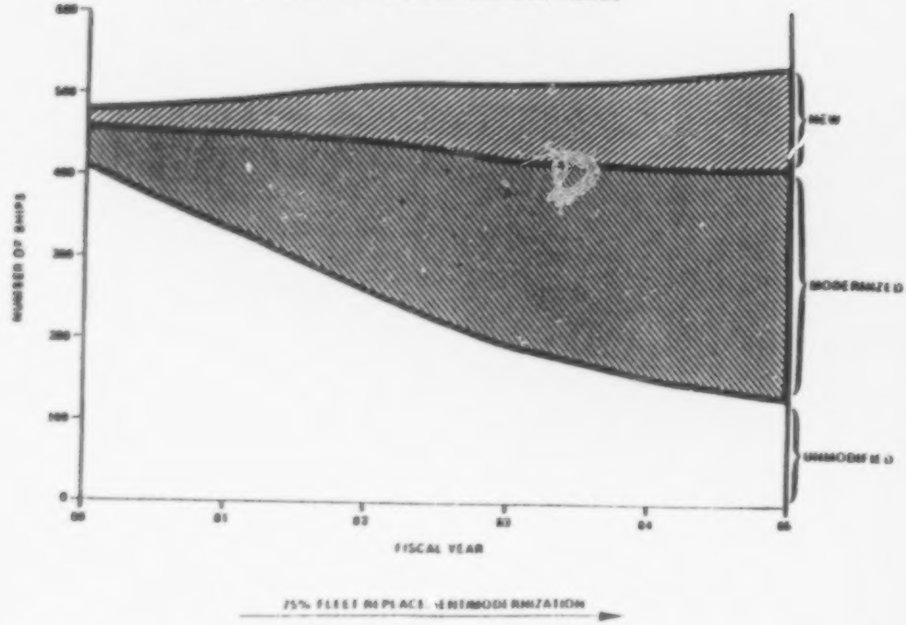
AIRCRAFT FORCE LEVELS

FORCE STRUCTURE AND MODERNIZATION TRENDS

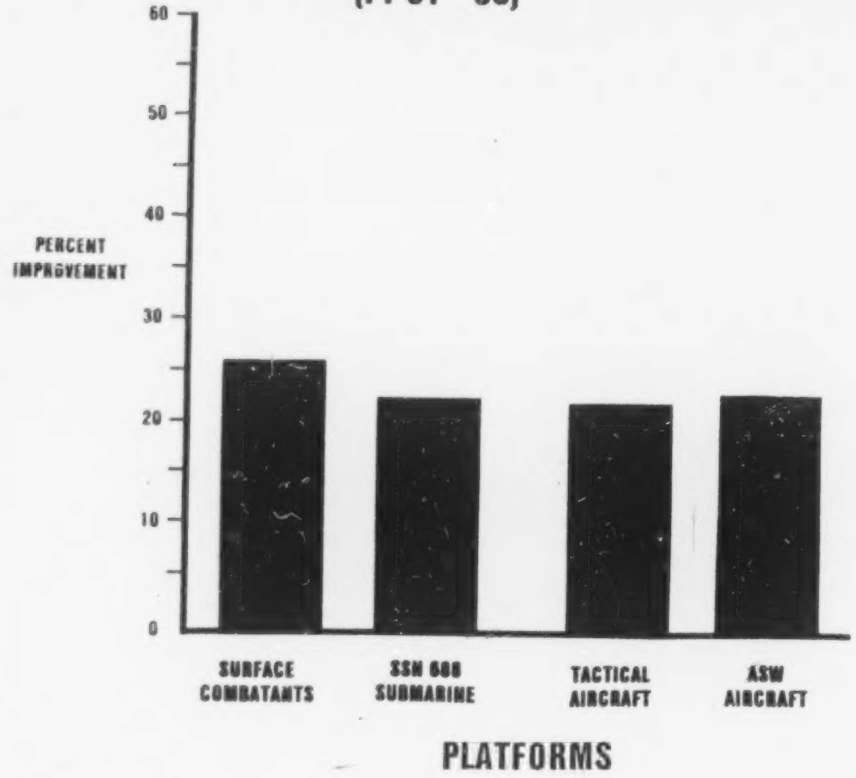


SHIP FORCE LEVELS

FORCE STRUCTURE AND MODERNIZATION TRENDS

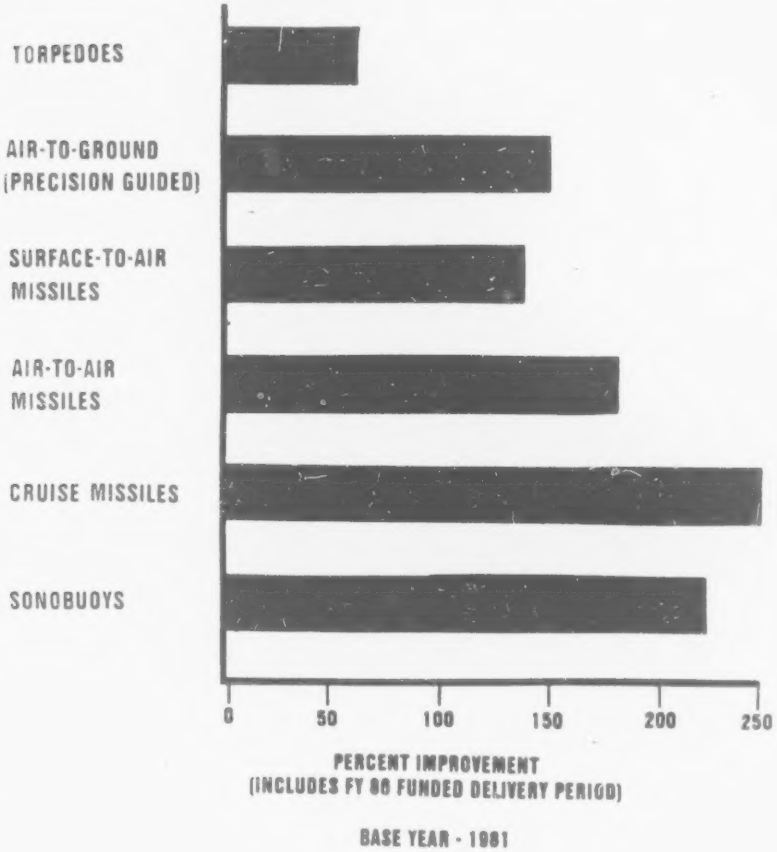


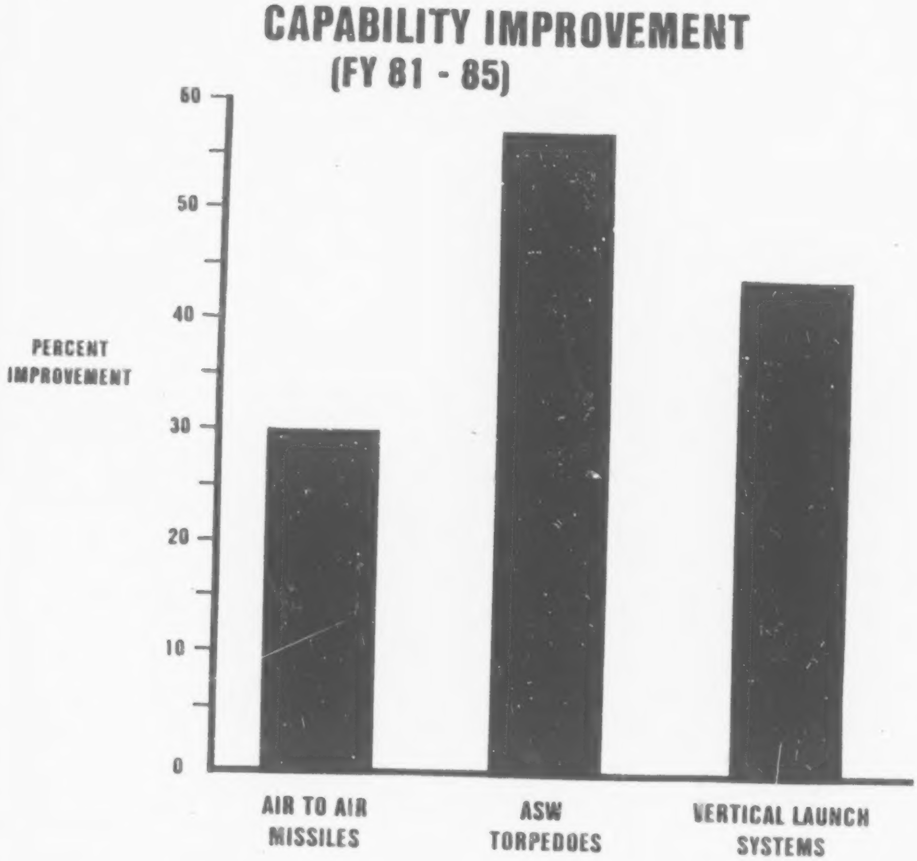
FORCE STRUCTURE IMPROVEMENT
(FY 81 - 85)



Looking at platforms delivered or funded since 1981, the inventory of our most modern attack submarines is up 22 percent. Major surface combatants have increased 25 percent, while sea based combat aircraft are up 21 percent and ASW aircraft have increased 22 percent.

SUSTAINABILITY IMPROVEMENT





WEAPONS

Major weapons inventories have shown a dramatic increase since FY 1981, significantly enhancing our ability to be ready to fight at sea. Looking at the capability of individual weapons developed since 1981, the lethality of our newest generation of air-to-air missiles averages 30 percent higher than the missiles they replace. Our latest torpedoes are 57 percent better than the last generation. The introduction of vertical launching systems on our missile ships and attack submarines will increase the missile capacity on these ships by more than 46 percent.

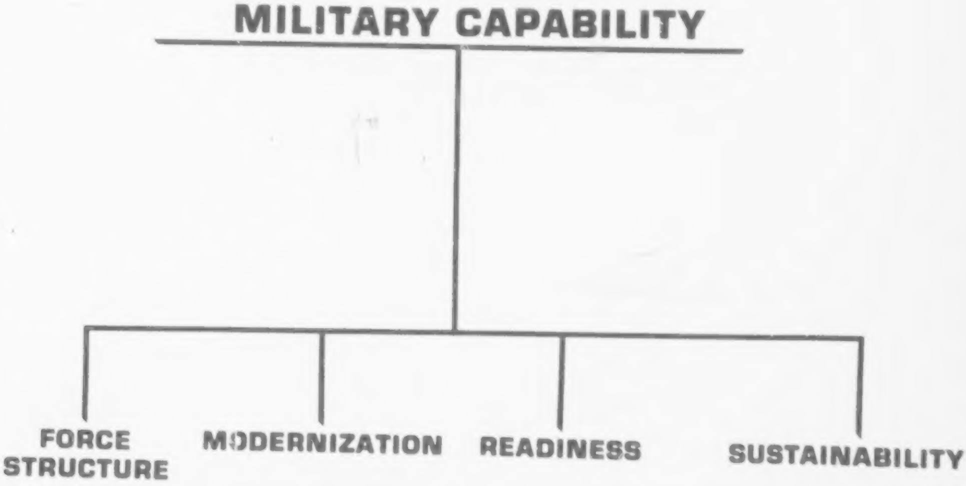
As a result of the improvements since 1981 in each of the four pillars military—force structure, modernization, readiness, and sustainability—our military capability has substantially improved. These increases, when taken in combination, result in a Navy that, in my professional judgment, can more effectively operate simultaneously in the several ocean areas vital to our national strategy.

In summary, you should feel assured that not only has our military capability improved, but also that our ability to gauge progress in the various areas measured and to better apply the resources made available has markedly improved. The significantly improved overall military capabilities of Navy ships, submarines, and aviation squadrons, over the past four years, directly reflect the Congressional investment in national defense and the Navy's sustained commitment to maximizing capabilities to fight and win at sea. Improvements in Navy capabilities reflect the reslults of initiatives undertaken to correct recognized degradations to our warfighting capabilities. Continued emphasis on these programs is essential if we are to maintain the maritime superiority so vital to our national interests. The ability of our Navy to sail in harm's way is greater today than anytime since World War II. The morale in the sea service is high and we approach the future with enthusiasm.

I am confident that your investment in Navy capabilities has and will continue to pay large dividends.

STATEMENT OF REAR ADM. GRANT A. SHARP, U.S. NAVY DIRECTOR, PROGRAM RESOURCE APPRAISAL DIVISION

Admiral SHARP. Thank you, Mr. Chairman.



By way of establishing a frame of reference, DOD has a definition of military capability. It is the ability to achieve wartime objectives which means win the battle, win a war or destroy a target. Military capability consists of four pillars: Readiness, sustainability, modernization, and force structure as referred to by Admiral Jones.

Readiness means the ability of a unit to accomplish its designed function. That includes the personnel, supplies, equipment condition, and training adequate to allow it to accomplish its designed function.

Sustainability is the staying power, the wartime staying power that is frequently expressed in days of supply.

Modernization is keeping up with the threat technologically.

Force structure is the size and composition of a force.

Mr. DANIEL. Admiral, may I interrupt you at that point? This is a problem I think that the average number of Congressmen—let me restate that.

The Members of Congress who are not on the Armed Services Committee or one of the appropriations committees, modernization has no meaning to them, only readiness.

The four pillars I understand perfectly, we understand it perfectly. How do we get the people, the members who are not on Armed Services or the appropriations committees to understand that modernization improves readiness. That is what we have not been able to get across.

Would it be helpful if we changed the word readiness to preparedness or some other word so they can understand it?

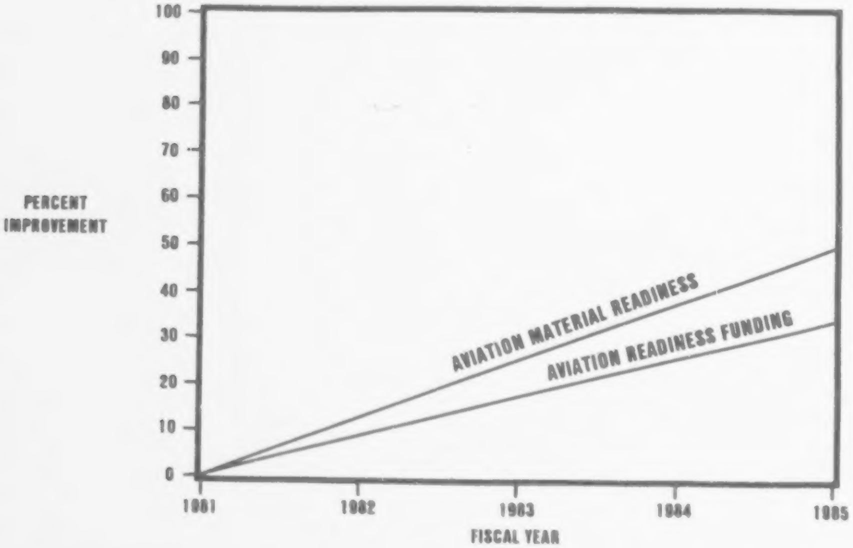
These are facts. This is what our problem is, is trying to get people to understand that modernization contributes to readiness or preparedness. But it just does not get through some way.

Admiral SHARP. We have an alternate term that the CNO used in his posture statement. He calls it Integrated Logistic Support Readiness.

Mr. DANIEL. They would understand that even less.

Admiral SHARP. We are searching for an alternative. I understand.

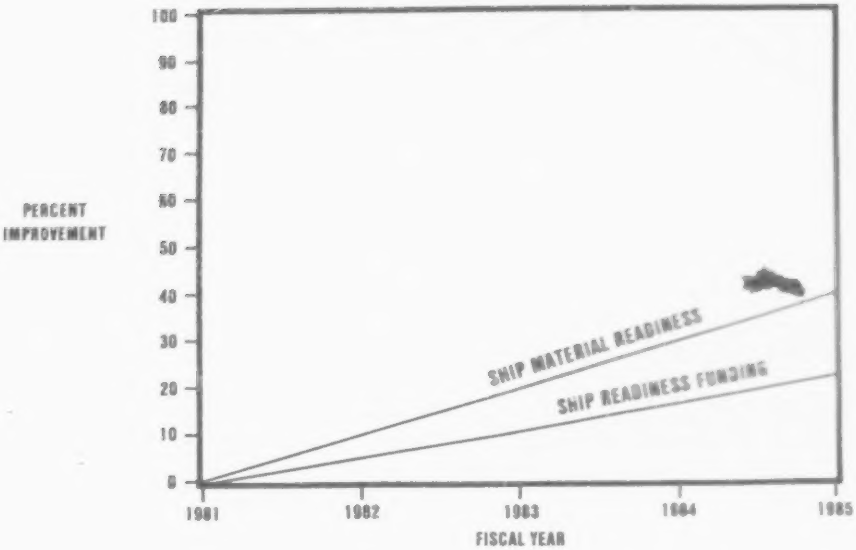
AVIATION MATERIAL READINESS



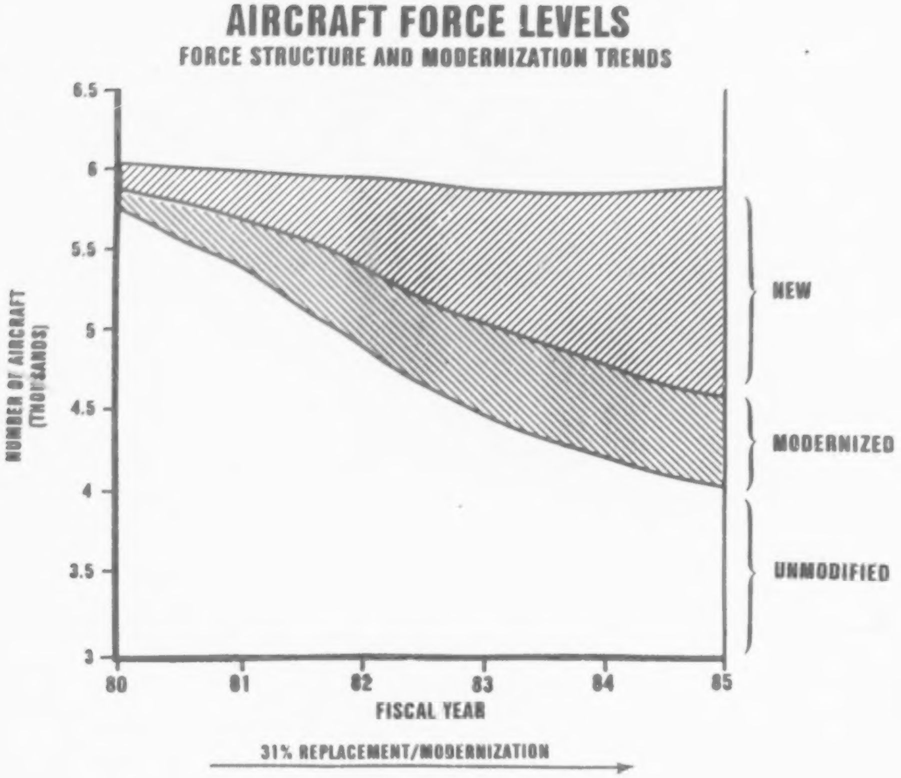
The next series of charts show illustrative measures of military capability in terms of the four pillars. First in the area of readiness is aircraft material readiness. That is expressed in terms of full mission capability and it is up 50 percent while funding is up 33 percent.

Next is ship material readiness, measured in terms of time free of serious equipment outages.

SHIP MATERIAL READINESS



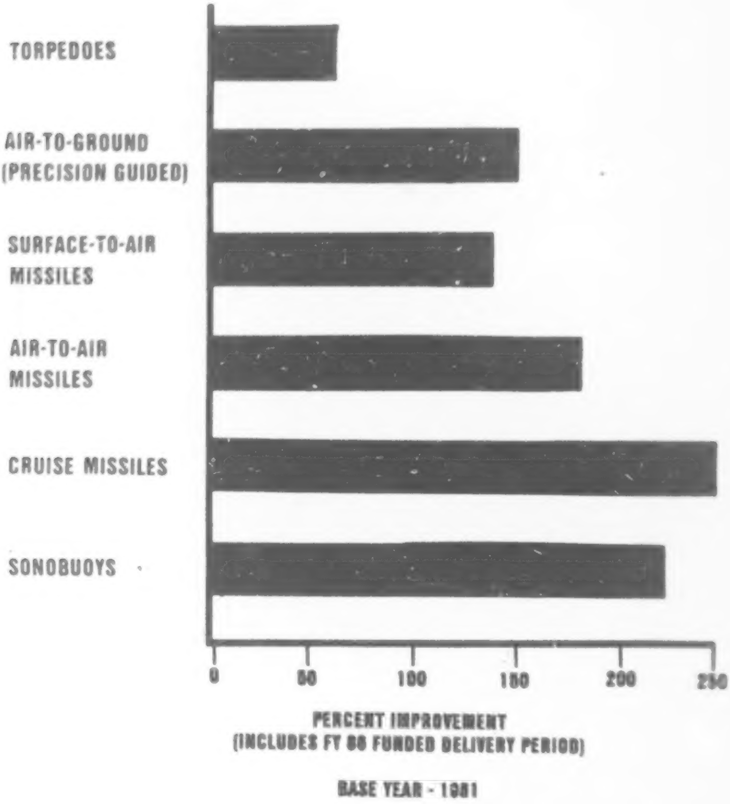
In this case readiness is up 45 percent and funding is up 23 percent.



Next also is the area of readiness, this chart shows that aviation spare parts have doubled. Carriers will have 100 percent of the required spares by the end of fiscal year 1987.

In the area of sustainability, this chart shows improvement in weapons inventories required for wartime sustainability.

SUSTAINABILITY IMPROVEMENT



Mr. WHITEHURST. Stop for a second with that chart.

Admiral SHARP. Would you like to see that again?

Mr. WHITEHURST. That shows improvement.

Admiral SHARP. Yes, sir.

Mr. WHITEHURST. Admiral Sharp, in terms of—do you have to cross-load ordance still? Or, cross-decking.

Admiral SHARP. No, sir. We are getting now to the point where we can stop cross-decking ordnance and we have adequate spare parts and ordance in our——

Mr. WHITEHURST. The percentage of improvement is encouraging but it also can be misleading. Because if you start with your foot in the bucket it does not really tell you where you are, except well I am better off than I was, but I am still not very well off.

But if you are not cross-decking ordnance any more or you are just about to end it, that tells me much more than just that chart. That is a fact, then?

Admiral SHARP. Yes, sir.

Mr. WHITEHURST. You have got the torpedoes, you have got the cruise missiles, the harpoons, the whole bit, right?

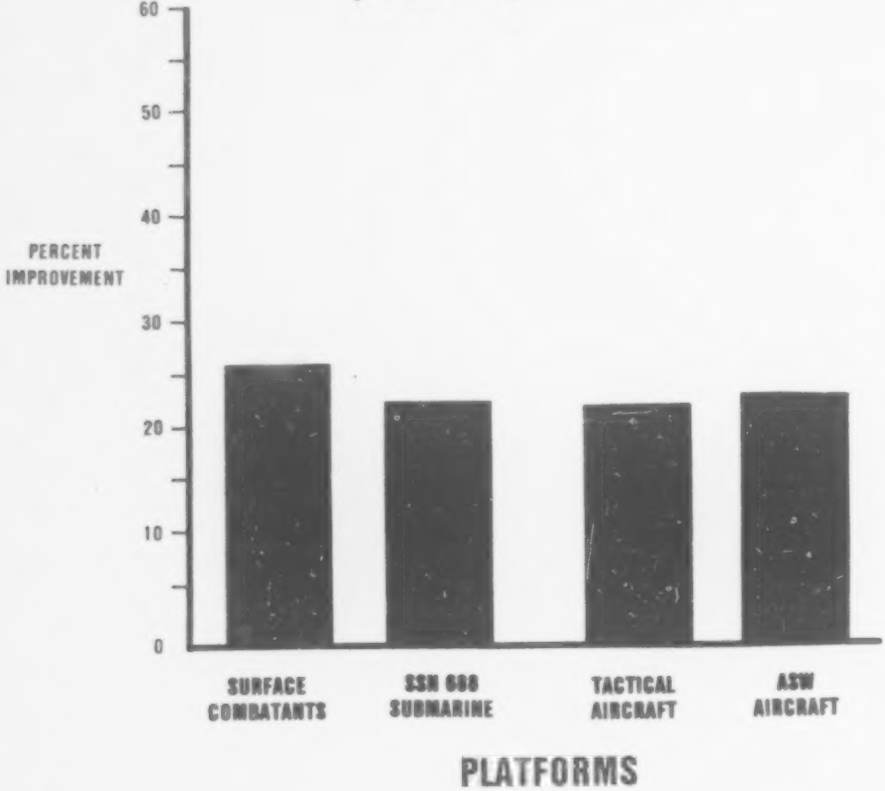
Admiral SHARP. By the end of the fiscal year 1987 funded delivery period we will have sufficient ordnance to fill our ship's magazines.

Mr. WHITEHURST. That is fine, sir.

Admiral SHARP. This next chart shows improvement to the force structure in terms of numbers of ships and aircraft in the categories shown.

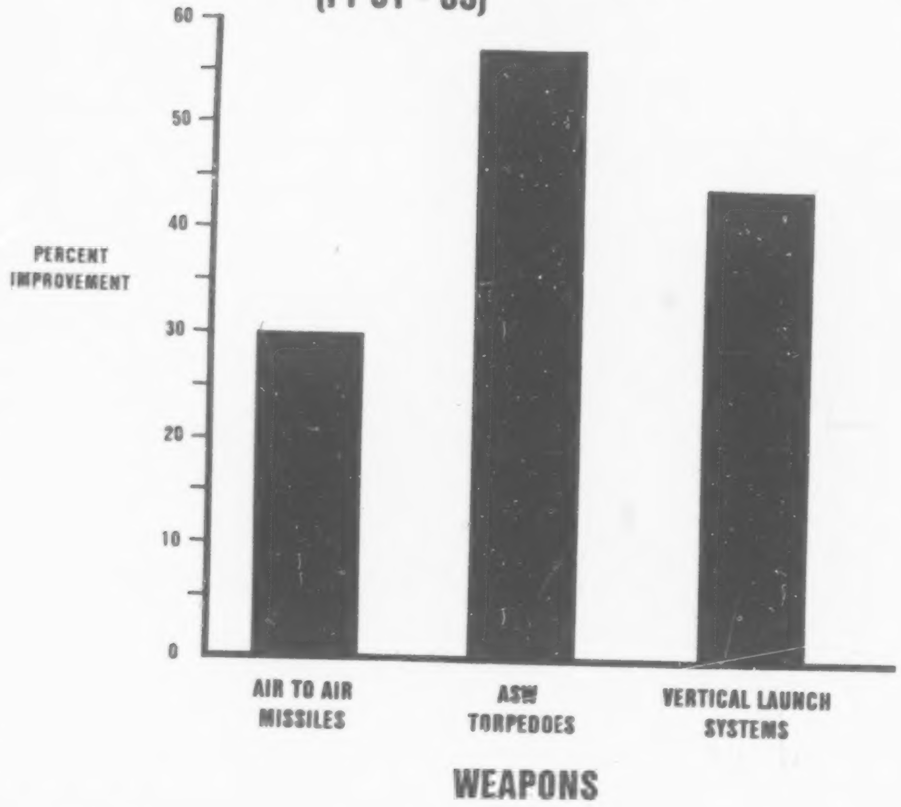
FORCE STRUCTURE IMPROVEMENT

(FY 81 - 85)



This final chart shows efforts in the modernization pillar to improve the capability of weapon systems.

CAPABILITY IMPROVEMENT
(FY 81 - 85)



These then are examples of measures of military capability for each of the four pillars. They indicate considerable progress in improving our Naval capability.

That concludes my statement. Thank you.

Mr. Daniel. General Godfrey, do you have anything you would like to add?

STATEMENT OF MAJ. GEN. E.J. GODFREY, U.S. MARINE CORPS, DIRECTOR OF OPERATIONS, PLANS, POLICIES AND OPERATIONS DEPARTMENT

General Godfrey. Sir, I have an oral statement.

Mr. Daniel. Well, why do you not just give us a few words.

General Godfrey. I do appreciate the opportunity to testify at today's hearing before the Subcommittee on Measuring Readiness and Military Capabilities.

I have a written statement and, with your permission, sir, I would like to submit it for the record.

Mr. Daniel. Well, I will take it at the end of your statement.

General Godfrey. Let me begin by saying that I do appreciate the importance of this hearing, as well as the committee's concern, that we have a meaningful way to measure readiness and military capability.

The corps, as you well know, has always prided itself on being a force in readiness. The ultimate aim of every one in the corps whether at the headquarters managing resources, or out in the field, has always been and is, of course, readiness. Readiness, that is, to undertake and successfully execute missions for which we are trained, and manned and equipped.

Thus, keeping a finger on the pulse of readiness, and our military capability, is important to leaders and managers at all levels of command.

While we are looking for more sophisticated means of measuring readiness and capability than we have at present, I must confess, that by and large within the corps, we have been comfortable with the means that we already have available to us.

It is apparent to me that this is irrelevant to your needs, however, and what we do need to do is find a means of translating this, the information that is there and that is available, so that this Congress will have a more meaningful understanding of military capabilities.

I am not going to repeat the editorial on the four pillars, but we have used those. And we have found it useful to categorize them under military capability as opposed to readiness. Readiness being one of the four pillars we use to look at and analyze ourselves.

In order to track at the various levels of command, my statement indicated we use a number of means to measure the subcomponents of readiness, whether you are talking about personnel readiness, material readiness, or training readiness. That is the readiness to perform as an individual or a unit.

As I have indicated and as Mr. Whitehurst noted, we are monitoring the status of the other services' efforts. We are also making our own modest effort to see if we can find a better way to do it.

We have no overall omnibus military capability and readiness system as such, no all-encompassing push a button and out of a computer comes a printout. There are too many objective and subjective measures, I think, that need to be articulated.

The closest thing, of course, is the UNITREP system which we have all heard about back and forth. Even there, a number of those measures are objective, and some are subjective. UNITREP merely gives us a snapshot in time to serve as an internal management tool with which we can manage our resources at any level of command. I think the GAO report, which was made available to the committee, has given a reasonable assessment of what UNITREP does and does not do.

In my statement I mentioned a number of reports that are already available to assist in measuring and evaluating military capability and readiness. While we will attempt to find a more understandable and usable means of describing these things, I must be honest with you, I am not confident that we will find anything that is so dramatic that it will serve all purposes.

But I certainly think, after hearing the way you have articulated it, that we probably can find a better way to more clearly say the simple things that need to be said.

With that, let me assure you that mine and, Lord knows, the Commandant's minds are open on the subject. We are looking conscientiously to find a better way. We are working with the other services, and I think we will find it.

I would add one comment that is not in my remarks. I suggest that it would be useful that whatever feedback there is from this committee be shared at the staff level. I think perhaps it is not fully understood where we must go. Lord knows it should have been understood since 1980. I think this feedback would be helpful. We have gained a great deal in our exchanges.

[Statement of General Godfrey follows:]

PREPARED STATEMENT OF MAJ. GEN. E.J. GODFREY

Mr. Chairman and members of the committee: I am Major General Jack Godfrey, Director of Operations, Headquarters, U.S. Marine Corps. I appreciate this opportunity to represent the Marine Corps before this subcommittee.

First, I should like to underscore the importance of this hearing's purpose, "Measuring Readiness and Military Capabilities." Throughout the Commandant of the Marine Corps' FY87 posture statement is the message "Readiness Through Quality." The term "Force in Readiness" has always been a hallmark of the Corps; thus it represents the standard against which we measure ourselves—subjectively and objectively.

As the Marine Corps watchword, readiness conjures up innumerable images: a young Marine tensed on the firing line of the rifle range ready to shoot for record; a company commander in front of a column of his Marines ready to step out on a forced march; an AV-8B Harrier on station ready to provide close air support; a gunnery sergeant perched on the running board of the lead truck of a convoy ready to move to the port of embarkation; or, units of the Marine barracks at 8th and "Eye" Streets ready to begin their evening parade.

Here today, readiness takes on a slightly different image as dollar signs, data, graphs, and ratings are being used as descriptors. Military capability, on the other hand, is not quite as easy to describe. In fact, the GAO report mentioned in the subcommittee letter to the Secretary of the Navy announcing these hearings highlights much of the confusion expressed in recent years as to what military capability is, and how it should be measured. Part of the confusion can be attributed to attempting to equate "military capability" with "military readiness."

To help avoid misunderstanding, in this testimony I will be using both "readiness" and "military capability" as defined in the DOD Dictionary of Military and Associated Terms (JCS Publication 1). The definitions read:

Military capability—The ability to achieve a specified wartime objective (win a war or battle, destroy a target set). It includes four major components: force structure, modernization, readiness, and sustainability.

a. Force structure—Numbers, size, and composition of the units that comprise our Defense forces; e.g., divisions, ships, air-wings.

b. Modernization—Technical sophistication of forces, units, weapons systems, and equipment.

c. Readiness—The ability of forces, units, weapon systems, or equipment to deliver the outputs for which they were designed (includes the ability to deploy and employ without unacceptable delays).

d. Sustainability—The "staying power" of our forces, units, weapons systems, and equipments, often measured in numbers of days. As you can see by these definitions, "readiness" is actually a subset of "military capability." I will stress that relationship in the remainder of my statement.

I will first address the Marine Corps position on measuring military capability. Next I will address the readiness of the Marine Corps and how we measure it; and last I will speak to the specific issues contained in the announcing letter.

As you can appreciate from our definition of military capability, as well as the discussion addressing it in the GAO Report, there are numerous occasions where the four components of military capability, interact to the point that they lost any notion of separation. Therefore, establishing the breakpoints of these interactions to allow precise measurement of each component and, theoretically, measurement of military capability, is sometimes undesirable and often impractical. The difficulties of measuring military capability have cause the Secretary of Defense to state in his annual report to Congress for FY87 that ". . . the military capabilities of the United States are not easily captured by quantitative indices."

Nevertheless, in accepting this definition as a framework for analysis and decisionmaking, we generally tailor issues to one of the four components, particularly when trying to relate them to funding or resources.

We continue to appreciate the desirability of emphasizing the measurement of military capability for internal decisionmaking as well as for satisfying external requirements for information. This appreciation, however, has not yet overcome the Marine Corps' unique difficulties in quantitatively measuring military capability.

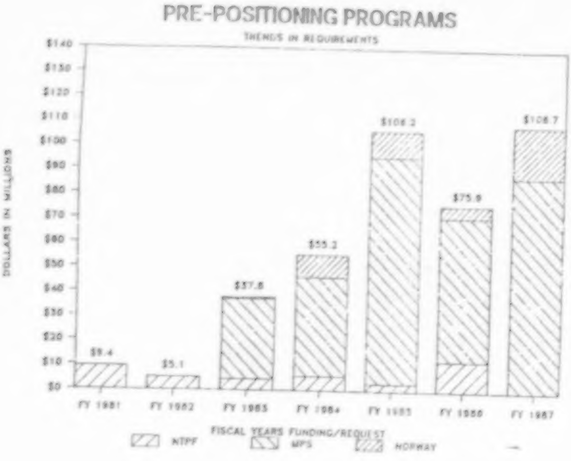
At the direction of the Commandant of the Marine Corps we have nevertheless been attempting to develop a better means to measure and represent our "combat effectiveness." In doing so, we have reexamined the two systems under development by the Army and Air Force. We found both systems moving toward better measurement of their individual dimensions of military capability. By this I mean that the Army's "MICAF" system deals with the modernization of land warfare, and the Air Force's "AFIRM" system deals with air warfare. However, we find neither to be easily adaptable to the multi-dimensional combined arms nature of the Marine air Ground task force.

For the Marine Corps to undertake development of a system equal in scope to these systems is considered cost and manpower prohibitive at this point. We believe the amount of resources and time necessary to adequately overcome the complexity of merging the land, air, and sea dimensions of military capability, while coming to grips with the at-large, worldwide scenarios which Marine air ground task forces must be prepared to face, would match if not exceed the cost of either the Army or Air Force system. A major portion of this cost would be to modify existing management and administrative systems to feed or interact with the Military Capability Measuring System. This world be necessary to provide timely real world data from which measurement could be derived.

As a result, we are examining a framework of system requirements to measure our "combat effectiveness." By viewing systems, data, and information through this framework we will progress to the point where integration of existing systems, as well as merger of our military capability dimensions, will be practical. In addition, we have begun work on developing quantitative indices of military capability that we hope will reliably represent changes over time.

One existing report requirement that lends itself to commonality in measuring military capability is the OSD Force Readiness Report. In 1985, the GAO issued a very thorough report that discussed the problems of assessing military capability through a single, definitive measure. This report went on to say that the OSD Force Readiness Report is the single most comprehensive source of readiness information provided to Congress. Within each of the five volumes are numerous indicators and measures that DOD believes are pertinent to ascertain a state of readiness, provided a given level of funding. This may be the best example of a readiness report to Congress that has consistent Service input. Additionally, this provides an example of a common report, with Service-wide measures, that has evolved and improved over recent years. All Services cooperated with the few features of this year's report which included aggregated UNITREP information, and theater (in case of the Marine Corps, a multi-theater Marine Amphibious Force) perspective of selected information.

This report, as well as development of our "combat effectiveness" framework, has emphasized the need to relate inventory status and funding levels to improvements in our combat effectiveness. We find that data exists to do this for specific subelements of our military capability. For instance, in the case of prepositioning, by comparing a total O&MMC funding profile for pre-positioning programs (chart 1) with the capabilities of the Near Term Pre-positioning Fleet (NTPF), the Maritime Prepositioning Ships (MPS) and the Norway prepositioning programs (chart 2), costs can be associated with the dramatic capability increases of the MPS and Norway programs.



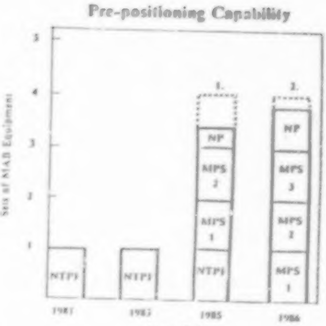


Figure G.42
(unclassified)

NOTES:

1. NP = Norway Prepositioning which is approximately 45 percent funded with final IOC by 1989

2. In 1986, the Marine Corps portion of NTPF will be disestablished and MPS-3 will be formed. MPS is an improvement over the previous NTPF. NP will be approximately 70% funded.

- To be consistent with future modernization force structure changes, both MPS and NP will be synchronized with addition/deletion of select equipment.

- The overall capability of the Marine Corps to globally respond to crisis situations has dramatically been improved with the introduction of Maritime Prepositioning Ships. This capability allows the rapid introduction of a Marine Air-Ground Task Force of over 16,000 Marines to a crisis area accompanied by 30 days of supply.

I would now like to address how we measure the Fleet Marine Force readiness. First we count! We do this using the system known as the Unit Status and Identity Report or UNITREP. Within UNITREP, criteria and formulas are used to make this counting process manageable and timely. This counting process using UNITREP also affords opportunity for unit commanders to elaborate on the implications of their UNITREP calculations.

With the dynamics of modern military capabilities, the readiness counting process must be frequent enough to reflect significant change while not becoming a morass of unrelatable minutiae.

Today the number of Fleet Marine Force units reporting UNITREP data is 385. They report against criteria for an overall rating as well as for ratings in personnel, supplies, and equipment on-hand; readiness of combat essential equipment; and training. They also provide remarks that clarify these reported ratings.

Analysis of these reported ratings and remarks takes place at all levels of command. Analysts at Headquarter Marine Corps do gross aggregations looking for trends as well as significant exceptions that can be related to Service-level policies, programs, or administration. Underlying the entire UNITREP process are interactions within a spectrum of disparate functions, systems, and commitments. Such individual readiness standards as physical fitness, marksmanship, and essential subjects (individual skills) training are frequently evaluated by commanding officers as well as the Inspector General of the Marine Corps. The statistics produced by these evaluations contribute to readiness assessments at all levels of command. Similarly, data produced and analyzed through administrative and management systems, such as our Manpower Management System (MMS) and the Marine Corps Integrated Maintenance Management System (MIMMS), provide another piece of the readiness measurement puzzle.

In the case of MMS, detailed information is provided on how the Military Occupational Skills (MOS's) of our Marines match-up against requirements for these skills. MIMMS on the other hand provides by item maintenance status of Marine Corps equipment. Both these systems, as well as others, can aggregate and report data from several organizational and functional perspectives. More pieces of the puzzle fall into place.

Unit training is another area where a piece of the puzzle lies, both in and out of the UNITREP process, but wholly within readiness measurement. Marine Corps-wide unit performance standards provide the framework for developing unit training goals and objectives. However, unit training, which is programmed and conducted at the unit level, is also guided by intermediate level command direction or requirements.

One means of evaluating attainment of unit performance standards is the Marine Corps Combat Readiness Evaluation System (MCCRES). As the GAO report states, we do not directly link MCCRES results to UNITREP ratings. Rather these results indicate the strengths and weaknesses of training programs. Analysis of the results may or may not bring forth deficiencies affecting the unit's UNITREP training rating. Regardless, the results still remain a piece of the readiness measurement puzzle.

Consequently, simple analysis of UNITREP ratings does not provide a true readiness evaluation. These ratings must be viewed through multiple filters that reside not with any one person or system but rather with a compendium of commanders, operators, and managers. And I am convinced that, regardless of the effort or resources dedicated to developing a measurement system for the overall readiness of the Fleet Marine Forces, the end results will boil down to an assessment based on several macro indicators that rely on subjective judgments as well as quantitative information.

This is the case with the Annual Capability Report submitted by the JCS to the Secretary of Defense. This report relies on information, both objective and subjective, contained in the annual situation reports of the unified and specified CINC's, who, in turn, have consolidated information from their component commands. In the case of the Marine Corps, the Fleet Marine Forces Atlantic and Pacific, are the component commands. They also have collected information from their subordinate commands.

Within the annual situation report process lies the essence of measuring readiness in today's Fleet Marine Forces. Based on diverse subjective and objective indicators, the reporting commander conveys his readiness impressions through narrative and quantitative information. As this report makes its way through the chain of command, it contributes to and influences subsequent reports. But it is also reviewed and analyzed by Marine Corps headquarters as another piece of the Marine Corps overall readiness picture.

Before responding to each of the issues contained in the committee's letter dated February 20, 1986, I would like to reiterate my appreciation for this opportunity and ensure the committee that the Marine Corps stands ready not only to be the "first-to-fight" but also ready to pursue the worthwhile goal of more precisely measuring our readiness and military capability. To this end, I invite the committee's perusal of the Commandant's FY87 posture statement and the FY87 Force Readiness Report as our best to-date efforts at presenting the readiness and military capability of the U.S. Marine Corps.

Let me now address each of the issues enumerated in the subcommittee letter that announced these hearings.

Mr. Daniel. Thank you, General.

I will assure you that we look upon this as a partnership, something we will have to do together. We know what the problem is but we do not know the answer which is too frequently the case.

Something has to be done because we are going to be so constrained with funds for the next few years, by budget constraints, that we will have to do a better selling job than we have been doing in order to keep the funds that we believe that we need and I know you believe that we need to keep the forces that we have ready. Mr. Martin.

Mr. Martin. Thank you very much, Mr. Chairman.

It is a pleasure to welcome you——

Mr. Daniel. We understand.

Admiral Jones, in your statement you indicated that the percentage of ships and squadrons manned with quality and quantity of sailors required to perform wartime missions has nearly doubled since 1981.

What exactly does that mean and how did you arrive at that statistic?

Admiral JONES. In manning our ships in the last 5 or 6 years, we have been able to improve the manning across the warfare capabilities of the individual crew members.

For instance, the average ship will have four or five specialties, AAW, ASW, whatever, which are required to be manned by specialists in that field. It is not a matter of the sheer numbers. It is the specially trained people that can carry out the unit's warfare responsibilities. Those are the numbers that have really increased over the last few years.

We had been without sufficient backups in the AW rating, for instance. Now through better training and better retention of talent among our resource pool, we have been able to increase the number of AW's available.

Mr. DANIEL. Let me ask you this. As these numbers increase, is there less cross-training in the Navy than you had——

Admiral JONES. No, sir. I think cross-training eased the problems we had before. But we never want to get totally away from cross-training. Losses during war require you to have cross-trained personnel.

Mr. DANIEL. That is what I was going to suggest.

Admiral JONES. One was a Band-Aid and one is a positive contribution to warfighting capability.

Mr. DANIEL. Mr. Whitehurst.

Mr. WHITEHURST. Thank you, Mr. Chairman.

It is a helpful exchange, it really is. We had one yesterday that I thought was helpful.

General Godfrey, I really appreciated the comments that you made, however extemporaneously, a moment ago. I did not mean, Admiral Sharp, to jump on the charts. I mean the charts are fine as far as they go.

But staff, Eastman and I were just chatting a moment ago privately. When this subcommittee got together at the beginning of this year it just met among itself. We had a comprehensive statement that Dr. West had laid out for us. It was a good statement talking in terms of what the affect of Gramm-Rudman will be on readiness.

Mr. Sweeney, who is on another subcommittee right now, was there and he said, what he and I both said, that what we really need is to present information in terms that everybody understands. The Chairman mentions it, I mention it. What is really going to happen? I mean where is the shortage going to be in terms of being able to confront our adversary.

I have cited a case—and I will cite it to you, which have cited many, many times, of the National Guard. That organization has not had in their inventory enough protective chemical clothing uniforms for their soldiers. Two sets are required, they haven't got enough on hand to outfit one per soldier.

That is a devastating revelation, especially if you look at the Guard, particularly in terms of its association and the participation of Joe Citizen out there. When he has entered the Guard himself or he knows some guy up the block that goes off and soldiers on a part-time basis. And he finds out that his neighbor could be called to the colors and sent to fight missing a basic piece of equipment.

That gets his attention. The same thing is bound to be true in all elements of our military forces.

So when I asked you about cross-decking ammunition, which went on back in the last administration, it just seized us. Indeed, it was these kinds of revelations, again, that led to the foundation of the subcommittee, its establishment.

We just said this is intolerable. Somebody better be minding the store. When the Chairman says we are your partners, it is in the truest sense of the definition that we are. But we need to have the facts and we need them in a way that makes them graphic. You can call it demagoguery or whatever you want, but people understand things in those terms.

When I go home and speak to constituents, I talk in those terms and they understand. But if I talk about percentages, it does not mean a doggone thing to them. It really does not. A percentage of what? And you talk about numbers, people get lost in numbers, they really do.

But they understand when they know there are not enough chemical uniforms. That scares the daylights out of them and they say what are you going to do about it. Then they start getting mad with us.

So this year whatever ammunition you can provide to us in this regard, please do so, because it will help us take our fight to the floor of the House. For those people who are perhaps not quite so keen on defense spending as we are, even they will be brought around.

I will say this, parenthetically, that in most cases, even in that segment of the Congress, there is an appreciation of this portion of the budget and a desire to serve it. They may not like the exotic weapons but they, in most cases, will not walk away from the nuts and bolts which even they understand are vital to our fighting capabilities.

Now, General Godfrey, let me just start with you. We normally put you last and work through the Navy first, but let me reverse the order. It is kind of like being at the end of the alphabet. I always resented being there and left out. When we used to call role early in the House it took 30 minutes to get to my name some nights and I said, why do we not just reverse the order of the role call sometime.

When you measure readiness—and let me just put this to all three of you really—we will not stay with only the Marines on this. Do you measure readiness in relationship to the threat? I mean that besides that perspective, do we ask if we ought to have *x* number of missiles or torpedoes on hand.

General Godfrey, do you have a formula for that? What is the Marine situation? It is somewhat different, I know, because it is not expected that you are going to make the main run on land against the Soviets as the Navy would at sea.

General **Godfrey**. I would say that rather than measuring our readiness against the threat, we measure our readiness against the standard of having to be ready to go and commit our forces against a variety of threats.

Whether you are talking about the low end of the spectrum, where you are simply talking about having to move out to present a presence, if you will, which is very low on the spectrum. Or, in fact, go to war completely.

But against a specific threat, I would suggest that the Army might have an easier task because they can take their mechanized units and match them against the forces that they can expect to face with the Soviets.

We have to be able to meet a low level of threat and a high level of threat. So, basically, we are really measuring against the standards that we have set for ourselves.

Now in designing our equipment or in procuring equipment, for example, in procuring our antitank weapons, we certainly do consider the mechanized threat that exists if we were to go against the Soviets, or as we are finding now, with virtually all the Soviet's surrogates in the third world. So, in our procurement or in our decisions on acquisitions, we do take that into consideration.

Mr. Whitehurst. That is fine, that answers it.

Let me hear from the Navy because they obviously have information.

Admiral Jones. This is a question I can answer with a lot of enthusiansm.

Mr. Whitehurst. Go ahead, it is all ours.

Admiral Jones. Because we do exactly as you describe. Each year we break down with various elements of war fighting, and conduct an appraisal of each element. We take a look at what we have done in our programs to support each warfare area and look at the threat at 5- and 10-year increments.

We sit down and look at the budget, at the forces we have and the threat we have today. Next the intelligence community gave us a threat estimate of the next few years. And we take a look at equipment to see if it is adequate to meet the threat.

At the end of this process we can more properly determine what budget implications a particular weapons system has in relation to the threat in 4 or 5 years. I think that is done in a quite sensible way.

Mr. Whitehurst. That is good. Admiral Sharp, did you want to add to that?

Admiral Sharp. Yes, sir. I think the threat is also a consideration in readiness in the sense that General Godfrey indicated. In terms of manning our ships, we design the manning requirements around what is required to operate and maintain those ships in wartime.

In terms of equipment, that equipment is designed around what is required to have that ship fight effectively in wartime. In terms of the equipment condition we need to find a requirement or establish a requirement in terms of, say, how many aircraft sorties you need to fly in order to be able to accomplish your objectives. In terms of equipment condition, the same thing applies.

So I think that readiness is something that takes into account the threat.

Mr. Whitehurst. There is a good staff question here that I would like to ask now that you are back so that the proper time and purpose can be given for an answer for the record.

This regards the UNITREP system changes. Admiral Jones, in April 1984 Secretary Weinberger established a readiness analysis and reporting task force to examine current reporting systems and to identify ways to improve validity of reported readiness trends.

That group proposed five specific proposals for changes to the existing JCS UNITREP readiness reporting system. Each of the services reacted to the proposed changes differently, from the Air Force which supported all five, to the Navy which opposed all five.

Can you tell us why the Navy opposed the task force's recommended changes?

Admiral JONES. Yes, sir.

The Navy thought that the UNITREP changes would have caused some inaccurate reporting of unit readiness.

Mr. WHITEHURST. Is it apples and oranges we are talking about?

Admiral JONES. Yes. For instance, putting consumables in with sustainability versus with supply ratings or listing the status of equipment required for modernization as a new readiness rating. And listing organic equipment as an R rating, spare parts as an S rating instead of a readiness rating. We though we were dealing with apples and oranges.

We also thought the proposal would not reflect organic supplies that were on hand. And, quite frankly, we thought that there were a couple of changes for change's sake that were not necessarily improving the unit readiness.

Mr. WHITEHURST. How did the Secretary react to that? Did he understand?

Admiral JONES. Well, we are looking, as your frustrations have certainly suggested, for a positive omnibus system that satisfies everybody's requirements. Yet, by the very fact that we have separate services, we have separate ways of fighting wars and separate ways of analyzing our readiness to carry out our mission.

I think that the Secretary was hoping that we could have a system that was universal and acceptable and I am sure that he showed the same interest as this committee in that regard. It is very difficult for us to put our arms around this problem.

I honestly believe we were not fighting the changes just to fight them. It was just that it did not seem practical for us to make those changes.

Mr. WHITEHURST. OK, I undertand. Well, just as a postscript please, let me say that we are all in this together. We have got a tough year facing us. There is going to be a lot of blood on the floor before we are through. We just want to do everything we can to try and ensure that these elements are protected. That is not from a parochial point of view, but rather, it is a genuinely held belief for everybody on this subcommittee and this staff. Whatever information you can give us in a way that reinforces our arguments, please provide it for us.

Admiral JONES. It might be helpful, Mr. Whitehurst, if I asked Admiral Sharp to describe some of the modeling efforts that have gone on in the Navy. There have been several examples of that.

Perhaps it will not prove to be as satisfactory to you as to us because we are modeling elements of the overall readiness problem and not the omnibus issue that you are most interested in.

I believe Admiral Sharp better is qualified than I am to discuss those models in detail.

Mr. **Daniel**. Mr. Whitehurst, the admiral anticipated my next question.

Admiral **Jones**. I very kindly shifted it to my neighbor.

Mr. **Daniel**. Absolutely.

Admiral **Sharp**. Well, we are doing some modeling. There are two general kinds of models that we have developed or are in the process of developing. There are those models that are classified as attempting to relate resources to the readiness pillar of our definition of military capability.

There are other models that we use in the process that Admiral Jones described, which is the annual process that we go through in assessing our military capabilities, vis-a-vis the threat. The objective of the assessment process is to identify where we have deficiencies, where the threat has vulnerabilities, and what our modernization efforts ought to be.

Those are the two general areas of the kinds of modeling that we use. Thank you.

Mr. **Whitehurst**. Thank you, Mr. Chairman.

Mr. **Daniel**. Let me ask one question. Did you have an input into the GAO report? If you did, to what extent did you have an input?

Did they interview, did the brain pickers come over and talk to any of you or any of your people that you know of?

Admiral **Jones**. Yes.

General **Godfrey**. I have one of the people whose brains were picked, Lt. Col. Daryl Riersgard.

Admiral **Sharp**. I also have some staff members who worked with the GAO.

Mr. **Daniel**. And, General Godfrey, your shop also had an input?

General **Godfrey**. Yes we did.

Mr. **Daniel**. Let me ask you, how did you think that the GAO arrived at the conclusion they did comparing the three services? As I said in my opening statement, they left the impression with us, they did not get the same volume of information or the same degree of cooperation from the Navy that they got from the other services. And I just wonder how they went about the task and what your reaction to that is.

Admiral **Jones**. I am disappointed if they did not get the material that they had requested.

Mr. **Daniel**. Well, they did not say that, Admiral, that was my term. That is the impression.

Admiral **Jones**. It was my understanding that we had provided them everything—I think perhaps what it does express is the difficulty of trying to embrace the problem collectively when you are dealing with individual issues.

We often try to equate the readiness of an Army battalion with an individual ship, where the Army battalion may have a single mission and be operating with a single type of combat equipment. You are measuring in a very simplistic sense, the tanks work or they do not work.

Whereas, a ship may have four or five missions one of which could be not ready while the other four are fully ready. This is not a C-4 ship, if you will pardon the use of that term.

Mr. **Daniel**. Yes.

Admiral **Jones**. And I think that is very important. The Navy's problem is more complex. I would be more than willing to continue to work for the GAO on this issue as we will with the committee.

Mr. **Daniel**. Did either one of the gentlemen whose brains were picked like to add anything to that? Would you like to add anything, Colonel?

Lieutenant Colonel **Riersgard**. Mr. Daniel, what I would say is we do a lot of business with the GAO, sometimes we have three audits and reviews going on at one time. And I think we have been painfully honest with them. We have a good honest exchange.

It may be difficult for them sometimes when they come in for an all-embracing picture and they end up talking to experts. In my case the expertise is readiness; when they task about training I handed them off to the training expert, or the evaluation expert, or the manpower expert.

So sometimes that makes their work a bit more tedious. I have been very satisfied with our efforts in the last 3 or 4 years with the GAO.

Mr. **Daniel**. Commander, do you have anything you would like to add?

Commander **Rogers**. No, sir.

Mr. **Daniel**. Well, let me say again, GAO did not say that. That was my interpretation of what they said. Mr. Hutto?

Mr. **Hutto**. Thank you, Mr. Chairman.

Admiral Jones, in your statement you indicate that the condition of ships and squadrons and commands with a quality and quantity indicator to perform wartime missions has nearly doubled since 1981.

What exactly does that mean and how did you arrive at this?

Admiral **Jones**. While we measure our readiness against wartime requirements, we cannot man to a wartime complement because we do not have that number of people.

If we take a squadron, an E-2C Squadron for instance, and evaluated its readiness based on wartime manning requirements, which the squadron cannot achieve, the squadron would always appear to be less than fully ready.

As we have increased personnel, we have been able to man at a higher level. And therefore readiness has nearly doubled in the last five years.

Mr. **Hutto**. OK. Let me see if I understand that view. You have nearly doubled those ships that you manned by the quality and quantity of sailors on the wartime situations. But I do not—what was the first figure? Was that 25 percent of the ships that we have or 30 percent or 60——

Admiral **Jones**. I wish I could give you a number. Maybe Admiral Sharp could.

Mr. **Hutto**. Admiral Sharp, could you give me any indication of that?

Admiral **Sharp**. Well, we are talking about all the ships and squadrons in the Navy. And what we were measuring is our manning compared to our requirement of the right number of personnel, the right experience level. And especially the skill training level.

And we, of course, keep track of how we are manned to compare to our requirements. Most of that improvement is in the area of skill level. In other words, the ships and squadrons have been manned with the appropriately trained personnel with the necessary specialized skill training. That is the improvement that you are really seeing.

Mr. Hutto. OK, Admiral Jones, in your statement you indicate that the Navy has spent approximately $35 million since 1981 and projects spending an additional $50 million over the next 5 years in the area of improving your ability to measure readiness and military capability. Are there any tangible results of that $35 million and if so what are they?

Admiral Jones. Yes, sir, there are. For instance, we have a new spares policy that has resulted in higher readiness levels in the F-18 program; and we are validating and testing a sparing policy right now for the F-14.

We think we have developed a methodology that is going to permit us to identify top mission degrading issues in both ships and squadrons and let us identify remedial actions that will take care of those problems.

Mr. Hutto. That is encouraging.

Admiral Jones. Yes, sir.

Mr. Hutto. Thank you.

Mr. Daniel. Dr. West, do you have any questions?

Mr. West. Just one for General Godfrey.

In discussing how you are looking and monitoring other modeling and so forth, are you modeling MICAF and its possible application to the Marine Corps?

General Godfrey. We are tracking MICAF. We are also tracking the Air Force AFIRMs, and I understand they have changed the name. Daryl, what have they changed it to, now? It is AFCAP now.

I frankly think that we would probably do better in AFCAP because of what I have seen of MICAF. While it is a benefit to us in that it measures many of the same weapon systems that the Army is modernizing to, and we, likewise, will be modernizing to, against a Soviet threat and measures the difference of those weapon systems versus the ones they had before, I think that would be too narrow. Because as I suggested, we have to be prepared to put together from our bag of parts, if you will, a Marine Air-Ground Task Force, say out of Okinawa to go to the cold of Korea or the jungles of the Philippines, for example.

Mr. West. Are you not trying to expand to Central America-type scenarios?

General Godfrey. I do not believe the Army is. I think they are centering principally in Europe with their MICAF, are they not?

Mr. West. They are planning——

General Godfrey. Oh, are they going to Central America? That would be useful.

Mr. West. They have discussed applications also.

General Godfrey. Those would be useful, too, and I think as we track it then, there might be some utility for it there.

I look for more assistance in the model that the Air Force is going to, I think because, as you can appreciate, the Marine Corps has to measure its aviation as well as its ground combat capabilities. So we are probably going to get a little bit of each when we ultimately end up with it.

Mr. **Daniel**. Mr. Eastman, do you have any questions?

Mr. **Eastman**. Yes, sir. I have one, which I would like for both the Navy and the Marine Corps to respond to. I guess it is sort of a synopsis of the whole subject that we are looking into.

And that is, do you all feel, do you really have a gut feel, for whether or not there is some system that we are going to be able to come up with? Not necessarily a single number, even if it is a family of numbers or something.

Do you really believe that there is going to be a system that we can use to effectively measure readiness and then make some correlation with resource allocation?

Admiral **Sharp**. I think that you are talking about a modeling process that is very complex. It has to take into account all the various aspects of military capability that we have talked about today. You are talking about modeling a very complex operational process.

And our experience has been over the past 15 or 20 years, every time we attempt to do that, we are not successful because those models have so many assumptions and so many different variables in them that you have to run the models using variations of those assumptions and variations of those inputs, variables. And that creates a great deal of uncertainty in the results that we get. And so we have unreliable results that lack credibility.

On the other hand, if we attempt to some process of categorization of the definition of military capability, perhaps along the lines of the DOD definition that we are using now. And we use a large number of uncomplicated bottles to simulate uncomplicated processes and operational situations. And allow experienced military officers to take the results of those various models and assess them and evaluate them and make the necessary tradeoffs.

Then perhaps, we can come up with a series, a multitude of measures of military capability. But I do not think it will—it certainly will not number one and it will not number just a few. It is kind of analogous to the economy.

The economy—you are not satisfied if somebody just tells you what the GNP is. You want to know what the rate of growth is, what the projected rate of growth is, and what the rate of growth was. You want to know about all the sectors of the economy, what the trade balance is, and so on.

And we have kind of the same situation, only, frankly, I think it is even more complex because there is an awful lot of intangibles like leadership and command and morale that you really cannot quantify that, in the long run, if you actually go to combat will make the difference.

Admiral **Jones**. In addition to the complexity, I think we also run the fear that it becomes historical in nature and not futuristic. It takes you so long to build the variables and you come up with a historical figure which is not going to help you any in predicting the readiness as you try to translate it into that fiscal.

General **Godfrey**. If I ever have to answer that question again in the future, I think I will take Admiral Sharp's answer and submit it for the record. I thought that was excellent.

Mr. **Eastman**. It was excellent.

General **Godfrey**. But I have always been candid when I have talked with you, and I must confess to confusion. It is not confusion; rather, I see a dichotomy.

Congressman Daniel, sir, you say that what we need to come up with is some way to articulate capability clearly. Mr. Whitehurst says, "not in terms of numbers, for numbers do not mean anything; but rather some way to clearly articulate to the Congress and to the American public."

And yet I know that the rabbits that we are chasing are going in different directions as we try and define capability in terms of a rather complex series of systems, so that we come out a quotient of 15 on a scale of 20 whereas we were 12 last year. This is meaningless to you, I know.

I think that if we put enough brains to it, we can probably construct some kind of a system which will be as good as the information that goes into it. But, based on a number of assumptions, what I am afraid of is that we will not come out with what Mr. Daniel needs and what the Congress needs. And that is something that really articulates capabilities. And this troubles me.

It is not a criticism. I understand that from the analyst's standpoint that there is a need for numbers and from what we hear in the room, that we also need to articulate this in simple, understandable English.

Mr. **Eastman**. I think both approaches are helpful. There are a number of people who will be able to use a very structured mathematical system like the one approach is, numbers and percent, etc.

But at the same time we have that information available, it is also very helpful as the chairman and Mr. Whitehurst pointed out, to have some very easy to understand examples that you can use for the layman, for want of a better term, in defense matters.

You need to be able to make your point with that layman because as they both indicated, dry numbers do not really always convey your message. It is a lot easier to say, this guy is going to war without the stuff he needs. That really makes it a vivid thing that people can understand.

Let me add one thing to the end of my question. Would it make your task in coming up with these measurement systems any easier if we took off the suffix about using it for correlation with funding? If we told you we were not going to use it to make inferences about funding, could you do it any quicker?

Admiral **Jones**. No, because we are going to do the same sort of things ourselves. We determine where our readiness shortfalls are and what our requirements are and that is how we develop our budget.

I would go back to the chairman's opening comments. We are in this together, to try and understand what it is we are doing with our budget allocation.

Mr. **Eastman**. Thank you, Mr. Chairman.

Mr. **Daniel**. Well, it has been said that a one-eyed man is king in the world of the blind, which is the balance that might—yeah, we are the blind.

So emphasizing, again, that we have a difficult problem ahead of uis to get a better understanding of what our readiness really is, and that is why we had the experts over here to talk to us. And we appreciate anything you can do to help us with that situation.

We have a vote scheduled in about 5 minutes. So we have some additional questions, gentleman, which we would like to submit for the record and we would appreciate your responding to them as expeditiously as you can.

With that, the committee stands in recess until when? Until 2 p.m. Tuesday.

[Whereupon, at 3:15 p.m., the subcommittee recessed, to reconvene at 2 p.m., Tuesday, March 11, 1986.]

[The following questions were submitted to the witness to be answered for the record:]

MILITARY CAPABILITY ASSESSMENTS

Question. Admiral Jones, it is our understanding that each of the Services has developed its own indicators of military capability for the Military Status Report. The Army and Air Force have used an approach which shows increases in capability in various warfighting categories. The Navy has chosen to continue to use the traditional inventory count approach for measuring capability. Do you agree with that approach, and why is that preferable to the approach the Army and Air Force are using?

Answer. The Navy uses the traditional inventory counting approach to display the entry of new items of equipment that are introduced in the fleet over time. This display is used to measure progress toward achieving procurement objectives for specific items. Due to the multi-mission design of our ships and air wings, any single capability measurement system would likely fail to provide an adequate description of our capability. Within the Navy staff, we undertake an annual appraisal of each warfare mission area that looks at the current and emerging threat, and produces an assessment of trends in our warfighting capability against an evolving threat. This annual process is a valuable step in the development of the Navy's program and budget.

UNITREP SYSTEM CHANGES

Question. Admiral Jones, in April 1984 Secretary Weinberger established a Readiness Analysis and Reporting Task Force to examine current reporting systems and identify ways to improve the validity of reported readiness trends. That group proposed 5 specific proposals for change to the existing JCS UNITREP readiness reporting system. Each of the Services reacted to the proposed changes differently from the Air Force, which supported all five to the the Navy, which opposed all five. Can you tell us why the Navy opposed the Task Force's recommended changes?

Answer. Navy did not concur in the proposed changes to UNITREP because they would have caused inaccurate reporting of unit readiness. The proposals were: a. put consummables in a new S (sustainability) vice C (supply area) rating; b. list status of equipment required for mobilization as a new R (readiness) rating; c. list fill of organic equipment as an R rating; d. report spare parts with an S rating; e. measure training in aviation squadrons against wartime-required numbers of crews vice crews onboard.

The first proposal would not reflect unit organic supplies. The second would have been a change only for change's sake and left distinction between readiness and sustainability unclear. Similarly, the third could exclude spares and repair parts from readiness assets if considered under sustainability. The fourth would add an S-rating for consummables for all units, even those without reportable fuel, ordnance and spares, such as Navy air squadrons. The fifth proposal countered the CNO's objection to taking a double hit for shortages of aircrews in both personnel and training.

READINESS RATE AND FUNDING RELATIONSHIP

Question. Admiral Jones, in your statement you discuss the improvements in aircraft Full Mission Capable rate and ship Equipment Casualty rate statistics. You also make a comparison between the percentage improvement rates in these systems and the percentage of increased readiness funding during the 5 years. Would it be accurate to use those comparisons to project a similar relationship between readiness rate improvements and readiness funding?

Answer. Readiness funding relationships based on the last five years reflect a unique period of very rapid, across-the-board improvements from a starting position of dangerously low readiness levels in FY-81. Given the uniqueness of the circumstances, it may not be appropriate to extrapolate from those experiences to make a forecast for the more stable period we expect for the future. We are confident, however, that, should readiness funding levels fail to keep pace with the growing Navy, we cannot maintain the high state of readiness we now enjoy and could face a return to the unacceptable readiness levels of the late seventies and early eighties.

PERSONNEL READINESS IMPROVEMENT

Question. Admiral Jones, in your statement you indicated that the percentage of ships and squadrons manned with the quality and quantity of sailors required to perform wartime missions has "nearly doubled: since 1981. What exactly does that mean and how did you derive that statistic?

Answer. Within each naval warfare mission area, a unit's characteristics define required operational capabilities and the most demanding operational environment in which the unit must be capable of performing. Manning documents for ships and squadrons reflect the number, experience levels and specialized skills of the personnel needed to operate and maintain the unit's equipment under these conditions. We assess the personnel and readiness of a given unit by comparing the number, paygrade and skill levels of onboard personnel to manning requirements.

Since 1981, the percentage of operating units whose onboard manning is within acceptable limits in each assigned mission area has increased by 96%—a significant improvement in a significantly larger force.

PERSONNEL READINESS PRIORITY

Question. Admiral Jones, in your statement you state, ". . . we will continue to place personnel readiness at the top of our spending priorities." What does that mean and what areas of readiness have lower spending priorities?

Answer. Over half of Navy TOA is allocated to readiness, and of that nearly one-third is for military personnel. Military personnel—in the right quantity, of the right quality, and adequately trained—are clearly our highest priority. Improvements in morale, retention, and accession quality have been the foundation of our successes in all other areas.

ANALYTICAL MODELS

Question. Admiral Jones, in your statement you indicated the Navy is in "the advanced stages of testing and validating several analytical models" which are related to the quantitative link between specific element contribution to readiness and changes in the material readiness reporting systems. Who is doing that testing and validation and are your models common or similar to any others being studied by any of the other Services?

Answer. The designated focal point for testing and validating these analytical models is the Director, Program Resource Appraisal Division. He is assisted in the validation process by a number of independent agencies including the Center for Naval Analyses, Naval Air Development Center, Naval Sea Systems Command, and others. Many of the models used by the Navy, particularly those concerning aircraft readiness, are shared with or are similar to those used by other Services.

Question. Admiral Jones, in your statement you indicate that the Navy has made significant progress in the area of relating the impact of specific resources elements (spares, manpower, etc.) to both material readiness and military capability of an individual aircraft carrier as measured in terms of sortie rates and target kills. What can you tell us about that effort?

Answer. We use several different models to develop each portion of the sortie capability and target kill assessment. The heart of the effort is the SPECTRUM simulation model developed by the Naval Air Development Center. It simulates the operations, maintenance and logistic activities aboard an aircraft carrier. Key elements of readiness simulated in the model include personnel (both quantity and quality), test equipment, spares, number and type of aircraft and peacetime and wartime flying hour programs. The simulations estimate both material condition readiness (MC and FMC rates) and daily sorties generated with alternative mixes of resources. These sortie generation estimates can then be translated into daily targets killed through the application of a separate model, CAPLOG ordnance, which uses

SPECTRUM sortie estimates and estimates of targets killed per sortie from the NNOR ordnance model and the JNEM ordnance effectiveness estimates.

NAVY FOCAL POINT FOR MODELS

Question. Admiral Jones, in your statement you indicated that the "Navy has designated a focal point within the Navy staff whose primary function is to review, update, and coordinate models and techniques with Navy laboratories, contractors, and the Center for Naval Analyses." Who or what office on the Navy staff is that focal point? Does that focal point have an OSD or JCS counterpart, and if so, who or what is that office?

Answer. The Director of the Program Resource Appraisal Division—presently RADM Sharp—serves as the point of contact for the review, updating and coordination of models and techniques in the Navy. Counterparts in OSD and JCS are the Program Analysis and Evaluation Directorate and the Strategic Plans and Resource Analysis Agency, respectively.

READINESS MEASUREMENT FUNDING

Question. Admiral Jones, in your statement you indicated that the Navy has spent approximately $35 million since 1981 and projects spending an additional $50 million over the next five years in the area of improving your ability to measure readiness and military capability. Are there any tangible results of the $35 million, and if so, what are they?

Answer. We have obtained tangible results from our efforts. Specifically, we have implemented new sparing policies that produce higher readiness levels for a given investment. This currently applies to the F/A-18 and a number of surface ship combat systems. We are also testing and validating a sparing policy for the F-14. Additionally, other methodologies have permitted us to identify our top mission degrading systems in both ships and aircraft, and to identify the type of remedial action required. This then allows us to cost-effectively target our resources at the source of the problem.

Another effort in progress is allowing us to improve the reliability in existing ship systems and to design more reliability into future ships. As a result, we think the DDG-51 will be the most reliable surface combatant we have ever built and sailed.

READINESS CAPABILITY MEASUREMENT IMPROVEMENTS

Question. Admiral Jones, in your statement you indicated that the Navy is "actively pursuing improvements to our systems to better measure capability." What exactly are you doing? Did you brief the GAO on your efforts, and if so, why does their report seem to indicate to the contrary?

Answer. The essence of the process that we are pursuing is to conduct an annual appraisal of each warfare mission area and consider our capability against the current threat and then examine trends in our capability to deal with the emerging threat, five to ten years in the future. The ideal result of this process is to assess our strengths and weaknesses against the evolving threat and focus our future development and acquisition effort toward necessary improvements. We have briefed GAO on the appraisal process and they included it in their report to you.

SERVICE COMMONALITY IN READINESS MEASUREMENTS

Question. Admiral Jones, with regard to the need for greater commonality among and centralized control of the Services' efforts to measure readiness and military capability, you indicate in your statement that, "Our efforts are generally consistent and supportive of the other Services and OSD." Can you give us some specific examples? Are there any joint efforts?

Answer. As I mentioned in my prepared text, we are especially supportive and consistent in the areas of Readiness and Sustainability.

Specifically:

Our sealift asset level is based primarily on U.S. Army lift requirements so as to ensure our capability matches their required delivery dates.

Tanker and POL requirements are driven by USAF/USA requirements in the anticipated battle areas.

In the case of OSD, we size our sealift capability based on the Defense Guidance illustrative scenario, and determine our personnel lift requirements, both initial and replacement, by employing the Joint Service Wartime Manpower Planning System (WARMAPS). Additionally, all of these efforts mentioned thus far are joint efforts.

In the area of Sustainability, the Logistics Capability (CAPLOG) Model is similar to the Air Force's Wartime Assessment and Requirements (WARS) Model in that each measures the impact of specific and variable spare parts asset levels on our ability to fly wartime flying programs. Additionally, both models are based in part on previous work in this area using the Air Force OVERVIEW Model.

The determination of Navy Ordnance requirements is very similar to that of the Air Force, specifically in the case of air-to-air and air-to-ground weapons.

MEASUREMENT OF READINESS VERSUS FUNDING

Question. Admiral Jones, as you're probably aware, the Congress is on record as early as 1978 regarding a desire to have the Defense Department and the military Services provide some system or method of relating readiness, and changes in readiness, to resource allocation and funding levels. Do you personally believe it's possible to develop such a system or methodology? Will you tell us—even in general terms—what you think such a system or systems or methodology will be like? Or is this simply to hard a problem? Please be candid.

Answer. It has been our experience that uncomplicated models that simulate uncomplicated situations are most likely to produce reliable and useful results. For example, we have developed an extensive collection of models to examine individual mission capabilities. In the same vein, we are developing a number of models that relate resources to readiness. Although validation of these models is in the early stages, we anticipate that they will yield results that will be useful to experienced operational, engineering, logistics, and manpower specialists in making programming judgments about the readiness element of military capability. The integration of results from many of these models by experienced military officers can provide useful insights into our military capability and aid in the development of programming priorities.

MEASUREMENT OF READINESS

Question. Admiral Jones, when someone talks about measuring readiness in terms of its relationship to funding, what do yo think they mean? What should we be able to do in this area in your opinion?

Answer. Measuring readiness in terms of its relationship to funding can mean simply comparing over time the historical readiness results produced by funding applied to the inputs to readiness. A more complex readiness to funding relationship might seek to project readiness as a function of funding for the inputs that contribute to readiness and further, it might attempt to select an optimum combination of inputs.

It is realistic to expect to be able to compare over time the historical readiness results produced by funding for readiness. It is possible to make readiness projections with readiness to funding relationships, but the conditions for which the projection is made must be very similar to the conditions used to develop the relationship, otherwise projections will be invalid.

MEASURING READINESS

Mr. CHAIRMAN. In your statement you seem to make a strong case for the subjective aspect in mesuring readiness or military capability. Is what you really want to tell us, that it isn't reasonable—or perhaps isn't even possible—to objectively qualtify whatever factors should be included in measuring readiness or military capability?

General GODFREY. What I want to express is that a useful assessment must rely on both subjective and objective input. In the UNITREP system, we find the "training" resource area is subjective, yet on the other hand, the "personnel" and "equipment" portions are objective. In the Marine Corps, we feel strongly about the importance of the human factor (e.g., leadership and moral), or if you will, the non-quantifiable factors. The only way I know to measure such factors is with a first hand, subjective assessment. Our unit level commanders are simply in the best position to make this call. At the Service headquarters level, we will do our part to better articulate the merging of subjective judgments with objective measures.

MEASUREMENT OF READINESS

Mr. CHAIRMAN. When someone talks about measuring readiness in terms of its relationship to funding, what do you think that means? What should we be able to do in this area in your opinion?

General **Godfrey**. I will answer this question in two parts. First, when defense dollars flow into the Marine Corps, the operative question is what readiness/capability did we get for the money. Select areas should be designated for the services to then strive to track dollar input compared to readiness output. The pending Military Status Report strives to do this as it attempts to answer the question—What did we get for the 1.1 trillion dollars of defense spending.

MARINE CORPS FOCAL POINT

Mr. **Chairman**. Does the Marine Corps have some particular overall focal point concerning the subject of measuring readiness and military capability, and if so, who or what office is it? Does that focal point have an OSD or JCS counterpart it works or coordinates with, and if so, who or what is that office?

General **Godfrey**. The focal point for measuring readiness is within my division. There are counterparts in the FMF's with whom my analysts coordinate. They also draw upon readiness experts in other departments of the Headquarters. OSD counterparts with whom they coordinated over the past two years were in OSD Acquisition and Logistics, and PA&E. Counterparts in JCS work in in J-34 Readiness and SPRAA.

COST OF MEASURING SYSTEMS

Mr. **Chairman**. In your statement you indicate that it is "considered cost and manpower prohibitive" for the Marine Corps to try and duplicate the readiness measurement systems being studied or developed by the other services. If the objective is to try and link readiness with funding priority decisions, why not provide the Congress with your POM data and let us draw conclusions from that?

General **Godfrey**. True, we do not have the assets necessary to develop a new system from the ground up. It seems more practical to review the in-place measuring systems and determine which one best suits our needs. Concerning POM data, that process is not handled in my division/department. I would question the utility of providing that futuristic, dollar information without some reference to the resultant readiness output. Remember, there is a time perspective difference measuring the "now" readiness compared to the anticipated benefits of outyear POM planning. I feel the recently received Force Readiness Report is formatted to link readiness with funding piority decisions.

QUANTITATIVE INDICES OF MILITARY CAPABILITY

Mr. **Chairman**. In your statement you indicated that the Marine Corps is working on "developing quantitative indices of Military Capability that we hope will reliably represent changes over time." Tell us some more about that effort and when you estimate you will have some tangible results in the form of identifiable and definable indices?

General **Godfrey**. In simple conceptual terms, our current efforts are attempting to link up the in-place reporting systems into an aggregated picture. We envision a model or system that will provide a building block concept that will allow us to index the capability of our Marine Air-Ground Task Force. To date, our efforts have been limited to (1) setting up the new system parameters and (2) surveying several in-place and developing systems. Even, if we link up with an in-place system, it will take a year or two to tailor it to our particular needs and to accommodate our multi-dimensional military capability.

OSD FORCE READINESS REPORT

Mr. **Chairman**. In your statement you indicate that you believe the OSD Force Readiness Report is the single most comprehensive source of readiness information currently provided to Congress. Recognizing that that report is quite a voluminous amount of data, do you think it is possible to synthesize that data and produce a few, basic, significant, easy to understand indices regarding readiness and levels of funding?

General **Godfrey**. Despite the fact that OASD (A&L) coordinates the FRR, I would like to comment on this report since we do contribute a significant amount of time putting together our input. First, the particular quote originated with a Feb 1985 GAO report by Mr. Don Patton entitled: Measures of Military Capability—a Discussion on Their Merits, Limitations and Interrelationships. Second, I agree that the FRR tends to be a lengthy report due to the five-volume format combined with the many indicators that show what each service would get for a given level of funding. To the best of my knowledge, this report provides the detail that the Congress has asked for. For example, the two latest format additions (e.g., UNITREP and theater perspective) were specifically requested by the SASC last April. Perhaps a review of the format is in order, if there are old indicators that are no longer useful. Certainly, this is a case where we could benefit from your feedback. Any further comment on the FRR should be reserved for the OSD report sponsor.

BEAN COUNTING

Mr. CHAIRMAN. In your statement you address how you measure the Fleet Marine Force (FMF) readiness. You state, "first we count!" and go on to discuss the statistics gathered and reported in the UNITREP system. Bean counting is all well and good and represents an excellent picture of past as well as current static data. How do you use that data to make a determination about whether your FMF will be able to meet its wartime objectives using all the nicely measured inventories and conditions of readiness? Is that kind of determination even something we can make reasonable assumptions about?

General GODFREY. Bean counts or simple resource accounting can tell us where our combat units stand based on their wartime requirements. The most basic yardstick(s) would start with our T/O (table of organization) which spells out the manpower structure needed to execute the unit's assigned mission. Part and parcel would be the T/E (table of equipment) which determines the equipment requirement for each unit. As you may well know, the T/O and T/E provide our baseline for UNITREP reporting. As indicated earlier, this provides a basic start point. As inferred earlier, we are looking to take this effort even further to assist our war planning and our POM planning managers/decisionmakers. With our internal refinement we would expect to do an even better job of providing the Congress more useful information.

UNITREP ANALYSIS

Mr. CHAIRMAN. In your statement you provided a interesting discussion of the analysis of the reported UNITREP ratings and your efforts to identify trends and how those statistics and trends contribute to readiness assessments at all levels of command. Have you done any studies relating those readiness trends to related funding? Have you been able to make any correlations that would help us in getting a handle on funding level decisions and priorities?

General GODFREY. Our studies and internal efforts have not established any direct correlation between Marine Corps readiness trends and funding levels. With the present methods available, we do not have the ability to track specific funding accounts through the entire process. As just one example of difficulty, PMC funding contributes to three of the four pillars of military capability, so the specific output measures lose their funding distinction. I am undertaking an effort to reexamine our procedures to capitalize on any possible input/output correlation that may help us get a handle on funding level decisions and priorities.

MARINE CORPS WARFIGHTING CAPABILITY SUMMARY

Mr. CHAIRMAN. In your statement you mention a Marine Corps Warfighting Capability Summary which is distributed to all Marine Corp General Officers to better explain what capability enhancements you have received as a result of recent defense spending. Tell us some more about that summary? Will you provide the subcommittee with copies of the several most recent summaries?

General GODFREY. The first summary was published in February 1985. It summarizes in capsule form recent capability enhancements and new systems. Copies of the latest summary will be provided to your staff on publication.

DEPARTMENT OF DEFENSE EFFORTS TO MEASURE READINESS AND MILITARY CAPABILITY

House of Representatives,
Committee on Armed Services,
Readiness Subcommittee,
Washington, DC, Tuesday, March 11, 1986.

The subcommittee met, pursuant to call, at 2:08 p.m., in room 2337, Rayburn House Office Building, Hon. Dan Daniel (chairman of the subcommittee) presiding.

STATEMENT OF HON. DAN DANIEL, A REPRESENTATIVE FROM VIRGINIA, CHAIRMAN, READINESS SUBCOMMITTEE

Mr. Daniel. The subcommittee will be in order.

This afternoon the subcommittee continues its hearings on Department of Defense efforts to improve its ability to measure readiness and military capability. Our witness today is Hon. William H. Taft IV, Deputy Secretary of Defense.

Mr. Secretary, I would like to extend to you a warm welcome in your first appearance before the Readiness Subcommittee, and we look forward to your testimony. I want to underscore that you have a lot of responsibilities. We are very much aware of that, and we appreciate you taking the time to come over here. But the reason we wanted you to come, primarily, is to underscore the real significance that we think this subject deserves, and we believe that you are the witness that can give it the push that it needs, or at least give it the stature that it needs, so others perhaps will look at it in a little different light.

I particularly appreciate your willingness to testify on the subject of today's hearings. It is a tangible manifestation of the Department's recognition of the critical importance of improving and Congress' ability to measure readiness and military capability and relate them to budget decisions. I am also gratified by the assurances given in your statement that DOD is willing to do all it can to achieve that goal. Clearly, we will need all the expertise, analytical capability, and professional insight the Department can provide.

When you state, however, that Congress should be prepared to wait a considerable time for a straightforward and relevant measurement system, the fact of the matter is that Congress has been waiting since 1978 when it directed the Department of Defense to develop a system to relate dollars to readiness and military capability. It is also painfully apparent that we have yet to get beyond square one in this endeavor. As I see it, Congress has already waited a considerable time. We cannot afford to wait another 8 years without tangible results.

Admittedly, the task is a difficult one due to the complex relationships between the many variables that contribute to readiness and military capability. Granted, many of the factors involved in the readiness and military capability equation are intangible and hard to quantify. And it is true that the current state-of-the-art in modeling and simulation that has not advanced to the point where these variables can be reflected and quantified with precision.

Nonetheless, a General Accounting Office report indicates that significant progress has been made by the Department of Defense to measure various aspects of readiness and military capability and relate them to budget decisions. We hear about the development of a new military status report by the Joint Chiefs of Staff, and just last year we were told about the imminent development of a commonsense readiness measurement system.

This being the case, I see no reason why Congress cannot benefit from these improvements in its own budget deliberations. As far as I am concerned, this effort should be a partnership, and I believe that we are willing to share responsibility for the type of measurement system that emerges. We are not talking in terms of a perfect system, only a better one. And it does not take much to be better than virtually nothing at all.

It is also becoming clearer every passing day that we cannot delay much longer. In fact, we may have already waited too long. For example, in discussions with the Budget Committee we are seriously hampered by our inability to reflect the impact of lower funding levels on readiness and military capability. Similarly, we have no way to assess the impact of alternative defense budget proposals in terms of readiness and military capability. In short, our ability to defend the Defense request or evaluate policy options has been substantially impaired because of the lack of even an imperfect measurement system.

In sum, it is imperative that we vigorously pursue the development of a better system that will allow Congress to improve its ability to measure readiness and military capability in relation to budget decisions. These hearings are designed to begin the dialog that will be necessary if we are to succeed. And even working together, I recognize that this will be a tough task. But we should not allow ourselves to dwell on the difficulties or think in terms of absolutes. Let's get something in place and refine it as we go along. I am confident that the rewards will far outweigh the risks in this approach.

Now, Mr. Secretary, I know that you haven't been in the job you are in very long, and this certainly was not considered a personal statement with respects to your interests and your contributions. But it has been a long time. And I will be very honest to tell you that I am not smart enough to know the answer, and we have looked at it from every viewpoint that I know of, but there has to be an answer. And again, let me say that we are so pleased that you are here to give this the impetus that we believe it needs.

Mr. Whitehurst.

STATEMENT OF HON. G. WILLIAM WHITEHURST, A REPRESENTATIVE FROM VIRGINIA, RANKING MINORITY MEMBER, READINESS SUBCOMMITTEE

Mr. WHITEHURST. Mr. Chairman, this will be an echo of your own comments, but we might as well fire both barrels. I would like to join the chairman in welcoming Secretary Taft as our witness. It is a pleasure to have you here. We are looking forward to your testimony. We know that the information that you and your staff can supply will be of great assistance.

Mr. Secretary, we have a problem. When I say "we," I am being very deliberate because I mean that the problem is one shared by both the Congress and the Defense Department. In a nutshell, the problem is striking the relationship between military readiness, capabilities, and the funding associated with those areas.

With the rather simple description of the problem, one doesn't have to look very far to discover that it is, in fact, an extremely complex issue. Two of the fundamental subsets of this issue are, first, what exactly do we mean when we talk about readiness and military capabilities? And, second, how do we measure those subjects once we have identified them?

As you are aware, our subcommittee is in the process of a series of hearings aimed at the latter of those two subsets. Unfortunately, they are finding for the first subset a consensus definition of readiness and military capability isn't as clear as we would hope. The lack of a clear definition makes it even more difficult to deal with the second subset: measuring readiness and military capability.

Mr. Secretary, I have the distinct impression that someone is trying to send us what I feel is the wrong message. The subcommittee continues to hear in all sorts of roundabout ways the message that the problem may be too hard. We know that we are not dealing with an easy subject. That doesn't change the fact that we must get a grip on the issue, particularly the measurements aspect.

Perhaps we, and again I mean both the Congress and the Defense Department, should concede that all we are going to come up with is a less than desirable or perfect solution. Maybe the ultimate solution is one which will evolve or work itself out over time as we deal with it. In any event, Congress has asked on several occasions, beginning as early as 1978, as the chairman mentioned, some better system to get a handle on measuring readiness and military capabilities.

It is time that we stopped studying the issue and trying to find a perfect solution. Let's implement a program and work from there. You and I both know that we are reaching the point of extremis. The budget realities staring us in the face today make it absolutely essential that we have some method of relating readiness and military capability to funding. You and I both know we have a common goal: how to get the best readiness and military capability for our limited defense dollars. However, it is going to be very difficult, if not impossible, to reach that goal without some effective method of measuring our readiness and capabilities.

Sincerely we look forward to your testimony, and I know that together we can find a way to solve our common problem.

Just at the end let me add, Mr. Chairman, these statements are strong, but, as the chairman pointed out, they are not personally directed at you, or really anyone in this room. On the basis of the testimony that has been given to us by witnesses so far, we see an accumulation of information that oblige us to draw these conclusions.

So with that, let me say along with the chairman that we are glad you are here and we look forward to your contribution to these hearings.

Mr. DANIEL. Mr. Secretary, before you commence the Chair would like to recognize Mr. Hutto.

Mr. HUTTO. Thank you, Mr. Chairman. I would just like to acknowledge the presence of the mayor of Fort Walton Beach, FL, Hon. John Shortall, and Mrs. Shortall.

Mr. DANIEL. We are delighted to have you with us today. And see if you can encourage Earl to invite us down there to do a little fishing or play golf. The Secretary nodded his head; I think he wants to be invited, too.

Thank you for being with us. We are delighted to have you.

Please proceed, Mr. Secretary.

STATEMENT OF HON. WILLIAM H. TAFT IV, DEPUTY SECRETARY OF DEFENSE, ACCOMPANIED BY BRIG. GEN. FRED R. NELSON, DEPUTY DIRECTOR, OPERATIONS, OFFICE OF THE JOINT CHIEFS OF STAFF

Mr. TAFT. Mr. Chairman, thank you very much for this opportunity to appear before you. Let me say at the outset that I am delighted to do that because I share fully the understanding that you have and the emphasis that you have given to the issue that we are discussing here today. I also share the feeling that you mentioned, and Congressman Whitehurst, also, of the fact that we are in a partnership on this problem. You need the systems and I need them to measure what return we are getting for different levels of budgets and the decisions that we have to make as to where the best return on our money will come. This is I recognize a point of the utmost importance for you, and because it is also one for me I think we will work together. We have the same job to do on that. I just do it about 6 months before you do.

I would say also in suggesting where we are that we have made some progress on this issue in the last several years that I have been following it, but it is not as much as I would like, either. I think we are coming to the point where we will have to accept something a little different from what, perhaps, was envisioned back in 1978 of a single comprehensive system on which we could press the button and we would all get the answer and agree on it. Our emphasis in recent years has been on developing and refining several good systems for measuring different aspects of our readiness. We try to interrelate those systems to each other where that is possible, but in the end we probably are going to be faced with having to have several different systems measuring several different aspects of what is generally known as readiness and using our judgment and experience and advice that we are able to get as to what these things together would tell us what we ought to be doing. I will elaborate a little bit more on that in a portion of my statement, but that is where I am coming out.

I want to review all the issues associated with this topic, and I should introduce General Nelson here.

Mr. DANIEL. General Nelson, we are delighted to have you again, sir.

Mr. TAFT. He has some charts which will accompany my testimony. And I apologize, Congressman Martin; I don't know whether you can see them or not.

First, I want to review the issues associated with measuring readiness, and military capability more generally, and bring you up to date on our efforts to evaluate the status of our military forces objectively. I would like at the outset to make clear a distinction between the terms "readiness" and "military capability." These terms are often confused or used interchangeably in the media. As I will explain in more detail, the term "readiness" as used in DOD has a specific and fairly narrow meaning. What is of more concern to us, and I believe to this committee and the Congress, is what we call military capability in a much broader context.

"Military capability" is, ultimately, the ability to be successful in the conduct of military operations. The variables that govern success, or lack of it, in such operations are numerous; and many of them, particularly those pertaining to human performance, are inherently difficult to measure. Our major problems in measuring capability are acknowledged in a recent GAO report for this committee.

We have not, however, given up on developing better indices of capability. On the contrary, we have made tangible progress in the last year and will continue vigorously to upgrade our assessment techniques. But it would be very naive indeed to expect rapid or dramatic improvements to occur in such an intrinsically complex and uncertain subject area.

In the past, we have put forward various measures of military capability that were available and which seemed appropriate, perhaps without fully realizing their potential for misrepresenting our true capabilities. In particular, this has led to a lot of discussion of the JCS's unit status and identity reporting system, abbreviated to UNITREP. My statement for the record provides more details on the UNITREP system and its deficiencies. And indeed, I should add, Mr. Chairman, on many other items than I will cover here, and I would like it to be included in the record.

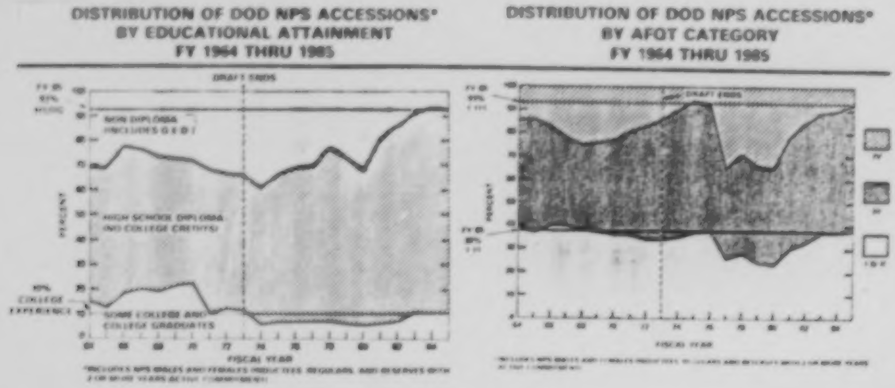
Mr. DANIEL. Without objection, so ordered.

Mr. TAFT. Mindful of congressional concern over the readiness issue, DOD undertook a survey of UNITREP to see if it could be made useful for evaluating readiness trends. Our conclusion was that it could not without negating its intended purpose. Instead, we decided that what both DOD and the Congress really needed was a way of assessing military capabilities more generally. To this end, Secretary Weinberger asked the JCS to make an assessment of our overall capabilities, the results of which I will describe in more detail subsequently.

We also formed a joint Office of the Secretary of Defense and Office of the Joint Chief of Staff steering group to review the Joint Chief of Staff [JCS] effort and oversee the development of better capability measures in the future. Our basic objective is to develop a comprehensive set of measures that are reasonably simple to understand separately, and that collectively give us a good picture of aggregate capability trends.

I would like now to summarize our progress in readiness and sustainability, force size and modernization by using some of these measures which together make up the four pillars of our total capability.

There are two components of personnel readiness. These are personnel inventories and the training of personnel. On the quantitative side, our active military manpower has risen commensurate with the modest expansion in our force structure. Reserve component manpower has increased more than commensurately. Chart 1 sets out these changes.

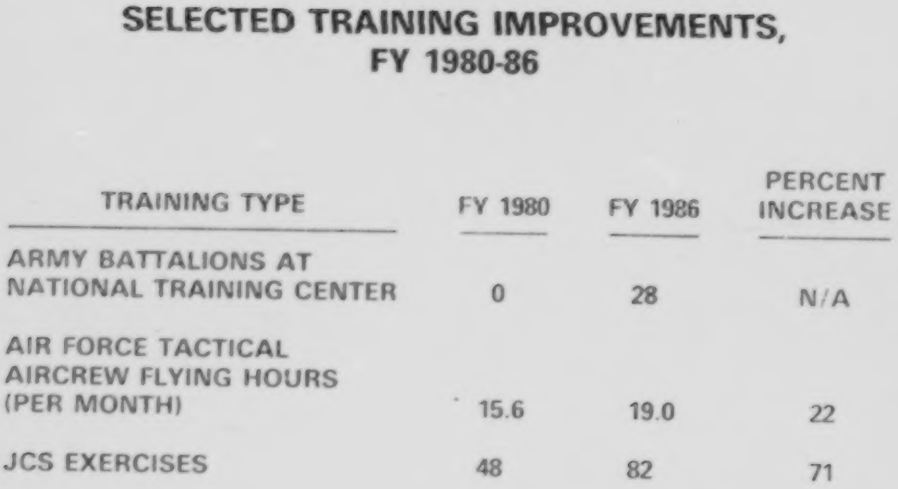


DISTRIBUTION OF DOD NPS ACCESSIONS*
BY EDUCATIONAL ATTAINMENT
FY 1964 THRU 1985

DISTRIBUTION OF DOD NPS ACCESSIONS*
BY AFQT CATEGORY
FY 1964 THRU 1985

Chart 1

Mr. TAFT. Qualitatively, we have achieved our goal of recruiting high-quality young men and women, and will continue to do so with strong congressional support for our compensation programs that we have received in the past, and that progress is shown on chart 2.



SELECTED TRAINING IMPROVEMENTS, FY 1980-86

TRAINING TYPE	FY 1980	FY 1986	PERCENT INCREASE
ARMY BATTALIONS AT NATIONAL TRAINING CENTER	0	28	N/A
AIR FORCE TACTICAL AIRCREW FLYING HOURS (PER MONTH)	15.6	19.0	22
JCS EXERCISES	48	82	71

Chart 2.

Mr. **Taft**. We have also improved the training of our forces considerably, as attested in particular by the increases over 1980 to 1986 shown on this chart. Army battalions cycled through the National Training Center, for example, are up to 28 per year. Air Force tactical air flying hours are up nearly 22 percent——

Mr. **Daniel**. Mr. Secretary, excuse me. I am real curious about the National Training Center. I haven't been out there and Colonel Short and I were just talking about this earlier. Is 28 battalions the maximum number that you can feed into the National Training Center a year? Can you get more in there than that?

Mr. **Taft**. My understanding is that they are operating at capacity. They may have a week or two when they are training themselves up; you know, preparing to be the "red" team.

Mr. **Daniel**. I understand.

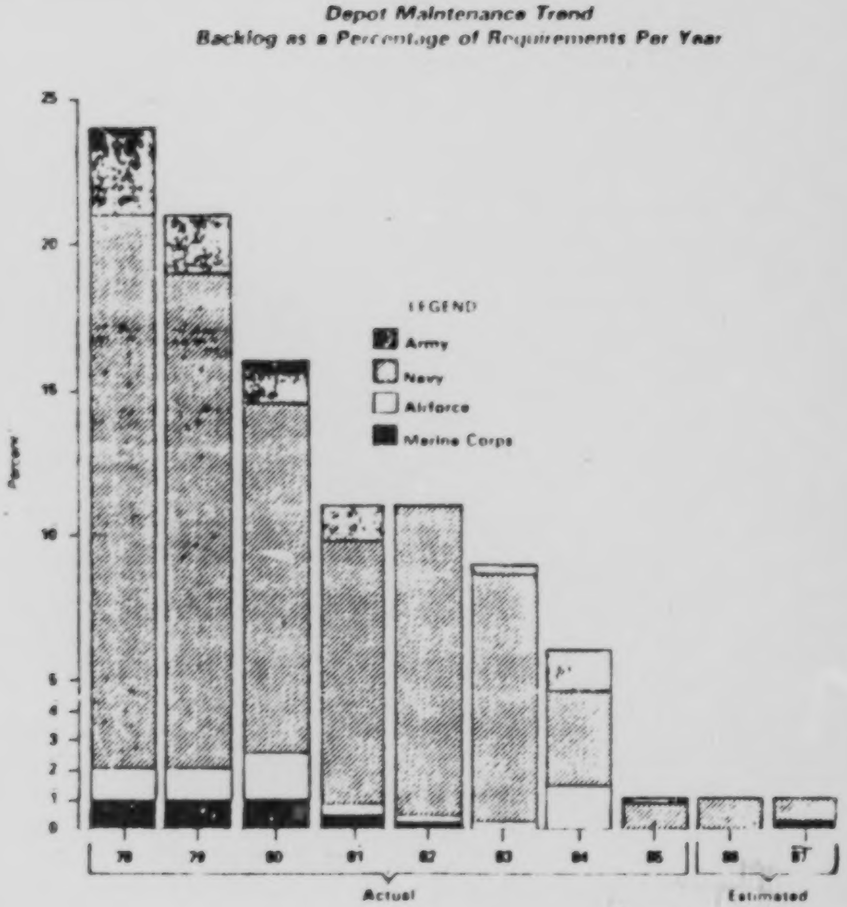
Mr. **Taft**. But basically, in terms of getting units in, they are lined up and at full tilt.

I am advised that my impression is correct. That was what they told me when I was out there.

Mr. **Daniel**. That is dandy. Thank you.

Mr. **Taft**. That has had I should say the highest priority in the Army. I understand from talking to General Wickham and General Thurman it should have it, and it will have it as long as I am here.

The Air Force tactical flying hours are up nearly 22 percent in the period, and JCS exercises, in number, although not in total scope, but in number of exercises is up 70 percent in that period.



Depot Maintenance Trend
Backlog as a Percentage of Requirements Per Year

Chart 3.

Mr. Taft. Turning now to materiel readiness, I would start by noting that both depot maintenance and spares funding have increased substantially over 1980–81 levels, yielding high payoffs in a more ready force. This chart demonstates our success in reducing depot maintenance funding backlogs nearly to zero, thus helping to raise the operational availability of our forces, which I will discuss later in more detail.

Peacetime Replenishment Spares Funding

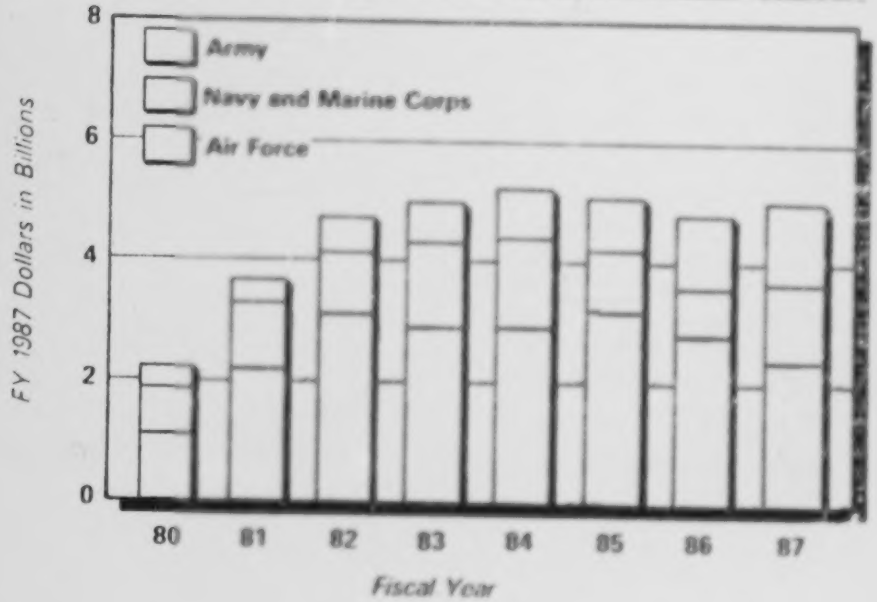


Chart 4.

Mr. Taft. Both depot and field-level maintenance depend critically, of course, on the availability of spares and repair parts. We have substantially increased and are maintaining our annual investment in replenishment spares to support peacetime activity levels and to improve the operational availability of our ships, aircraft, and combat vehicles.

In addition, we have fully funded initial spares to ensure that our newest and most effective equipment is adequately supported. We are also investing an additional $7 billion in initial spares purchased through the Defense Stock Funds between fiscal years 1983 and 1987 to enhance the responsiveness of our supply system.

MISSION CAPABILITY OF AIRCRAFT AND EQUIPMENT

	GOAL	FY 80	FY 85
ARMY (FMC)			
AIRCRAFT	75	66	74
FIRE SUPPORT ARTILLERY	90	88	93
FIRE SUPPORT MISSILE SYSTEMS	90	91	96
TANKS	90	86	87
COMBAT/COMAT SUPPORT VEHS.	90	88	89
NAVY (MC)			
TOTAL AIRCRAFT*	73	59	71
FIGHTER/ATTACK AIRCRAFT*	68	53	66
AIR FORCE (MC)			
TOTAL AIRCRAFT	75	66	75
FIGHTER/ATTACK AIRCRAFT	74	62	76
MARINE CORPS (FMC)			
ARTILLERY	85	88	88
MISSILE SYSTEMS	85	94	90
TANKS	85	86	87
COMBAT VEHICLES	85	84	89

*INCLUDES MARINE CORPS AIRCRAFT

Chart 5.

Mr. TAFT. We use mission capable rates as an indicator of the peacetime readiness of our equipment. A piece of equipment is considered mission capable if it can perform at least one of its primary missions, and it is considered fully mission capable if it can perform all of its missions. As indicated in the detailed table on this chart, over fiscal year 1980 to 1986 we increased the mission capability of our aircraft and equipment in 11 categories, while dropping a little bit or remaining even in two others, with both of the exceptions remaining above our stated goals.

With the exception of the Army, the equipment fill of our existing force structure is generally good. The Army problem has been highlighted to the Congress several times in the past. It seems that it is one essentially of not having sufficient funds to buy modern aircraft and other combat equipment and also provide the needed support equipment for all of the Army units. However, we are making good progress in this area. Over the last year, the Army has increased the equipment fill of nearly 150 units deployed in Europe and Korea to acceptable levels, even if it is not as much as we would like. About 300 more forward-deployed and early-reinforcing units are now scheduled for similar specific attention.

Next, I would like to address sustainability, starting again with the personnel component. There are four aspects of personnel sustainability: the size and structure of the active forces, the size and structure of the selected reserve, the pretrained manpower pool, and the training base to process volunteers and conscripts that may come from the Selective Service System in time of war.

Together, these four aspects give us the ability to get properly trained units and people into combat when they are needed. We have taken several steps recently to enhance personnel sustainability in the pretrained manpower pool. The first was to extend the military obligation from 6 to 8 years. This increased the size of the Individual Ready Reserve, and we expect to have about 650,000 people in that Individual Ready Reserve by 1990.

We have also established better controls on the IRR by annually screening members. This helps us assess their refresher training needs and physical condition, as well as, of course, assure that we know their actual whereabouts and that they know our whereabouts and keep up their interest.

Our material sustainability objective is to provide our troops all the support they need to fight and win. Wartime demands for materiel would, of course, be many times larger than normal peacetime operations consume.

Munitions Sustainability Funding

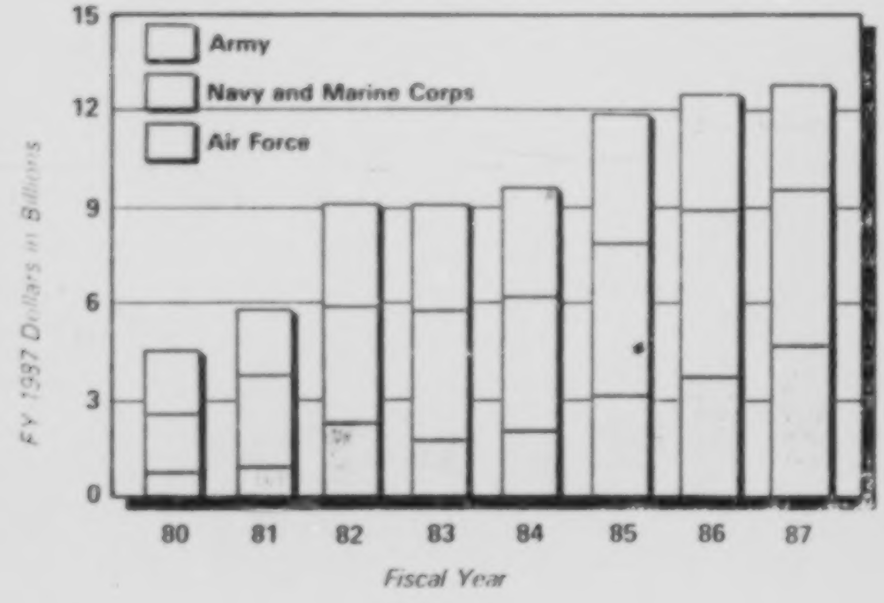


Chart 6.

Sustainability resource areas were allocated some of the larger real funding increases in the early years of this administration, as seen in "Munitions Sustainability." However, only a little more than half of the materiel from the investment that has already been made has been delivered to date. When the remainder is also on hand, we will have greatly increased our stockpiles in absolute terms.

Mr. **Whitehurst**. Mr. Chairman, excuse me. Mr. Secretary, these charts I need explained to me. I understand it is billions of dollars, and I see the services in there. What is not explained to me, unless you will come to this in a moment, is what does this mean in terms of days of fighting? I mean what is the measure of it?

Mr. **Taft**. These translate into days of fighting, Congressman, and while the precise figure is classified, we can make it available to you.

Mr. **Whitehurst**. I would like to see that.

Mr. **Taft**. In fact, I can tell you in the—well, I guess it is not in the "Munitions," but in the "War Reserve Spares," for example, we actually did our adding in the budget process by days.

Mr. **Whitehurst**. That is fine.

Mr. **Taft**. I said I wanted an extra day and that was a certain amount of dollars.

Mr. **Whitehurst**. That's fine. Well, that I can understand. That is the intelligent way to measure it up there. I know, for example, that General Rogers, when he got onboard as CINCEUR, had less than 3 weeks of ammunition in Europe; now he has 45 days. That means something. That is a tangible figure you can get hold of. I really would like to know the number of days based on this chart. It is going in the right direction, but I just don't know what it measures out to.

Mr. **Taft**. Mr. Chairman, we would be delighted to provide that figure to the committee in a classified form.

[The following information was received for the record:]

Representative **Whitehurst**. What is our sustainability posture in terms of days of supply?

Mr. **Taft**. We feel that "days of supply" for munitions is a flawed measure of effectiveness. Implicit in such figures are numerous assumptions that govern the pace of compact. The number of rounds per weapon per day that might be needed depends on many imponderables, such as the rate of enemy force deployment, enemy and friendly force tactics and strategy, as well as environmental parameters such as weather. When the Services determine their requirements for some number of days of combat, they have to consider such factors, many of which are difficult or impossible to quantify rigorously.

Even though we have a reasonable level of confidence in our munitions requirements for, say, [deleted] days of combat, we are on thinner ice when we try to translate a given stockpile posture for numerous munition items into an aggregate "days of supply" estimate that is representative of these stockpiles.

Also, you may be aware that requirements for many important munitions items are not determined in a time-dependent way but only in terms of the number of threat targets the munition must kill. We call these "threat-oriented," as opposed to "level-of-effort," items. (This terminology is somewhat misleading because expenditure rates of "level-of-effort" items are also, in general, threat-driven.)

Given these caveats, the data attached show the percentage of Defense Guidance (DG) objectives obtained with the munitions procured through the FY 1987 budget. The DG specifies two programmatic objectives: [Deleted] days of supply by end-FY 1988 funded delivery period (FDP), and [deleted] days of supply for end-FY 1991 FDP. These percentages are against the FY 1991 objective. For threat-oriented items, the DG specifies an objective of an inventory sufficient to kill [deleted] of the threat by end-FY 1988 FDP and [deleted] by end-FY 1991 FDP.

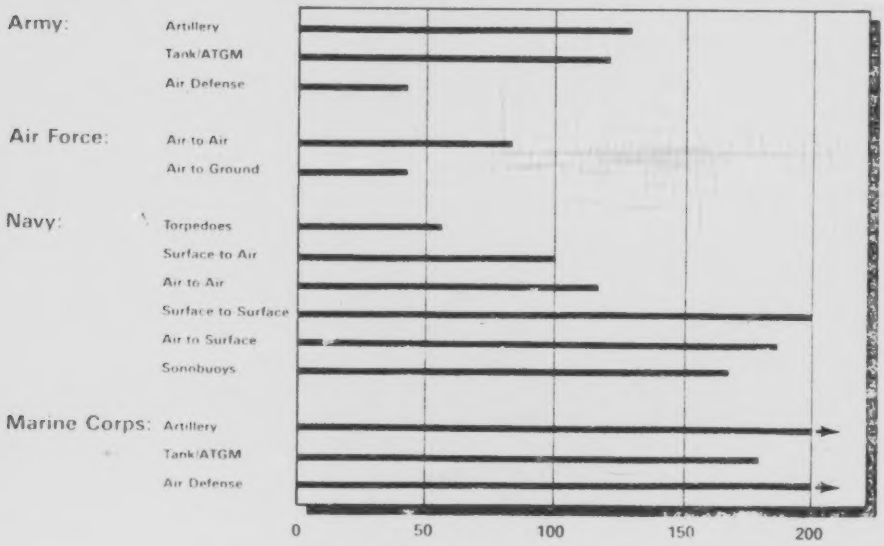
For level of effort items, a very rough "days of supply" estimate can be derived by multiplying these percentages times the corresponding objective days of supply.

Mr. **Daniel**. Thank you, Mr. Whitehurst, and Mr. Secretary. I think it really would serve the public interest better if we did it that way, and we would like to have it. Like Mr. Whitehurst, I can't understand it, either. I understand the chart, but it doesn't go quite far enough. And I know why it doesn't go far enough.

Mr. TAFT. Yes. We were trying to accommodate to the forum we have here today.

Mr. DANIEL. I understand. Thank you.

Progress in Improving Sustainability in Munitions



% Improvements Over FY 81 Posture (Assets, End FY 1981 Funded Delivery Period versus End FY 1987 Funded Delivery Period)

Chart 7.

Mr. TAFT. This chart reflects the increase in sustainability for major munitions items from fiscal year 1981 to the end of the fiscal year 1987 funded delivery period, if the amounts we have requested are approved. I think you will agree that this is impressive progress. But the chart does not reflect the increases in our sustainability requirements due to the increased threat that we now face. I think you would be even more inclined to agree, having heard your questions, if we gave you the information in a different form.

We also need large supplies of war reserve secondary items that would be consumed rapidly in a war. We started out this administration with a bare minimum of such supplies, but over the past 5 years we have been able to build our stockpiles considerably.

Because of the production leadtimes for these items, again only about half of the materiel that we have bought has been delivered. Today, we have only about one-third of our war reserve prepositioning objective on hand. With deliveries funded through fiscal year 1986, this fraction would rise to about two-thirds.

The other side of the sustainability equation is the industrial base. Our emphasis in this area is on building a surge production capability for certain key items.

You will find additional details on our readiness and sustainability programs in my statement for the record. Let me now summarize briefly some highlights of the progress that we have made in improving our overall military capability over the past few years, with particular emphasis on modernization and force structure. The information that follows is drawn largely from the JCS review of our military capabilities that I mentioned earlier.

Strategic Offensive Forces

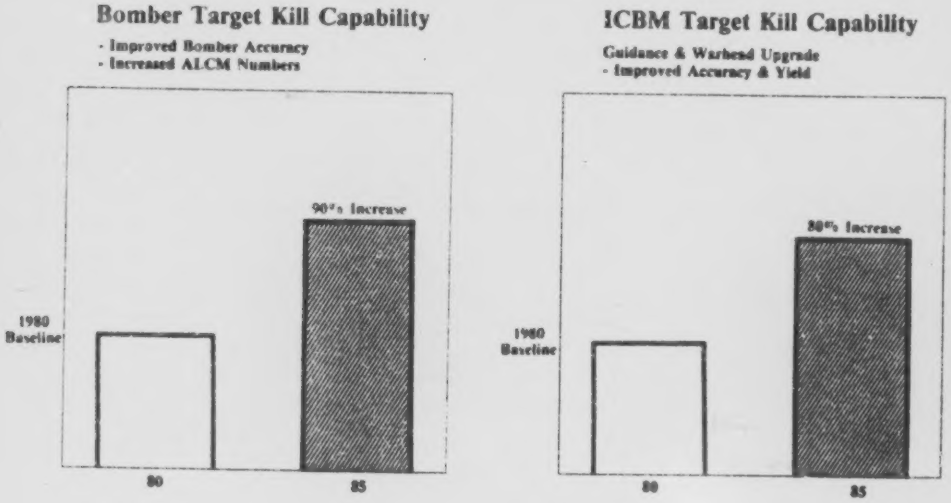
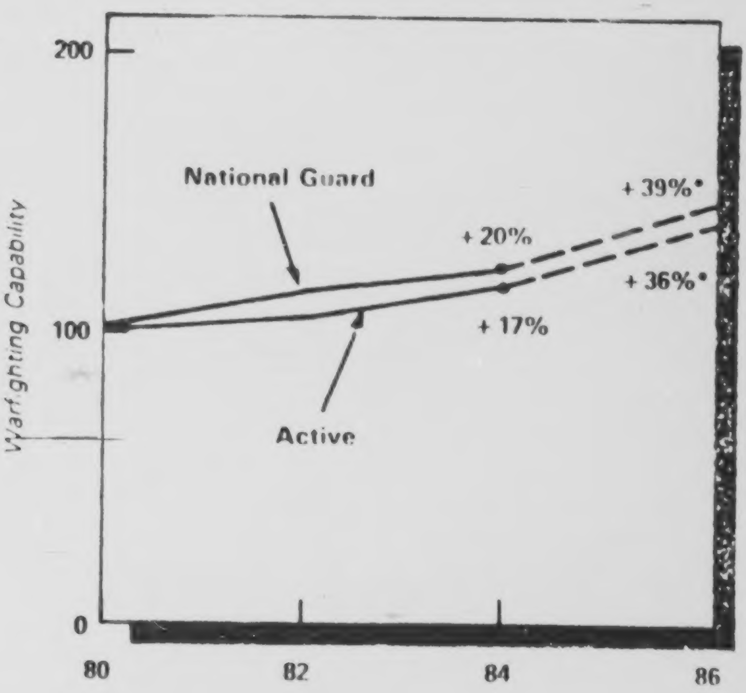


Chart 8

Mr. Taft. Starting with strategic nuclear forces, the addition of air-launched cruise missiles on 100 B-52's and other improvements have raised the force's capability to destroy hard targets by 90 percent since 1980. Our intercontinental ballistic missile [ICBM] capability against very hard targets has risen 80 percent over the same period. Our SLBM inventory has grown by 36 percent. To provide better protection for our offensive deterrent forces, we are also improving our warning systems and air defense forces.

Improved Warfighting Capability
Active and National Guard
Divisions



*FY 84 Budget Procurement
(2-Year Funded Delivery Period)

Chart 9.

Mr. TAFT. Our best available system for assessing ground forces, known as MICAF, an Army system, shows——

Mr. MARTIN. Mr. Secretary, I have a question before he takes this chart down. Very candidly, I don't understand it.

Mr. TAFT. Is this the one with the L-shape and the rectangle?

General NELSON. Yes, it is.

Mr. TAFT. What I meant to tell you, and I apologize, I asked the same question yesterday and I should have changed the chart. [Laughter.]

It is an area chart, and the L-shaped area in each square there is 90 percent in the first case and 80 percent in the second case larger in area than the rectangular unhatched part. I think a bar chart would have been better.

Mr. MARTIN. What is the whole square?

Mr. TAFT. The whole square, as far as I can tell, there is no real purpose in this. [Laughter.]

I might ask at this point for permission to revise chart 10, too, in advance.

[NOTE.—Charts 8 and 10 have been revised accordingly.]

Our best available system for assessing the ground forces, as I said, is known as the MICAF, and it shows that the warfighting capability of active and National Guard divisions increased by 17 percent and 20 percent, respectively, between 1980 and 1984. Further increases bringing the total improvement to 36 percent for the active divisions and 39 percent for the National Guard are projected by the end of this year—1986.

[NOTE.—These numbers are being updated. The revised numbers will be published in the DOD military status report.]

Mr. WHITEHURST. You are talking about warfighting capability. Now that obviously relates to additional equipment that they have been provided; is that correct?

Mr. TAFT. Yes.

Mr. WHITEHURST. That is a part of it. Is there additional training in there, too, that also measured as part of the warfighting capability?

Mr. TAFT. It does not include training. The MICAF system is a new technique that the Army has been developing over the past 2 years. The results are shown on this chart. The MICAF system is a rather complicated modeling system that they have but it essentially measures the things and the number of people that are in a unit—in a division actually I think is what it is oriented to—and it compares the result to the capability measured previously.

Mr. WHITEHURST. General, do you want to add something to this?

General NELSON. If I might, sir. It measures capabilities against the 1984 Soviet threat.

Mr. TAFT. Which we held constant in measuring our capabilities at all times shown here.

General NELSON. Yes, sir. In MICAF right now it is 1984. This, Mr. Whitehurst, I believe is very close to what you have in mind and it is a pretty good modeling technique. It is developed by the Army and not by the Joint Staff. We are pretty keen on this particular model. It has——

Mr. WHITEHURST. Additional people, additional equipment, more intensive training, whatever else—is that right?

General NELSON. You are absolutely right with respect to added people and equipment, but the effects of better training are not included. Again, MICAF measures against the threat. That is what really makes a difference in this.

Mr. TAFT. This is one of those systems that I had in mind when I said we had been making some progress on this which really has come along and tells us some things that we very much need to know about what we are getting for what we are doing over time.

It is not, however, I hasten to add a complete system for everything. It doesn't, for example, tell us about the capability of those units because of things that have been done at the corps level for support. And it doesn't include the synergism of the joint forces that they might be operating with, the air and so on. Those are just not a part of this system. We need to do other things to pick those up. But this is a good system for the things it measures. Over time particularly good compared to a base year, a given threat.

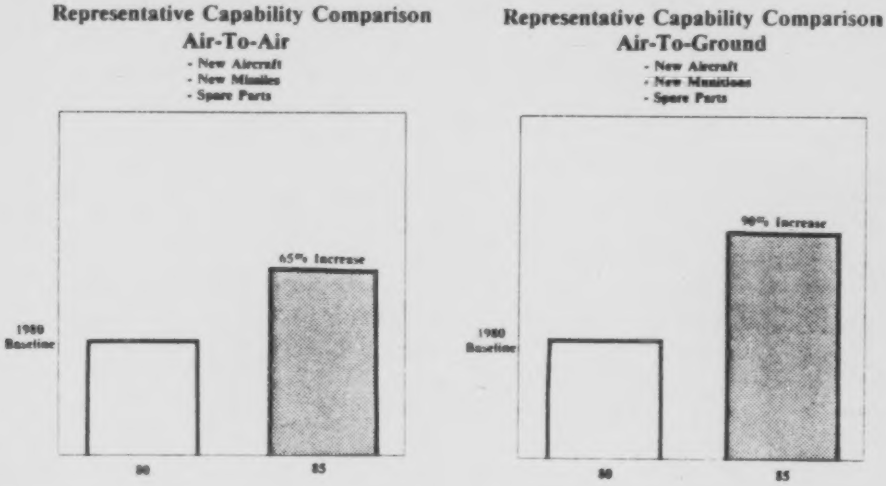


Chart 10

Our tactical air forces depend for their effectiveness on sortie generation capability and the availability of modern munitions, both of which have increased over the past 5 years. We also have been expanding our TACAIR force gradually and replacing older aircraft with new F-15's and F-16's. As a result, in a European scenario our air-to-air capability has risen about 65 percent, while our air-to-ground capability has gone up almost 90 percent, and we have a chart which we will quickly show you about that.

The warfighting capability of naval forces has been markedly improved by the increase in the quality and the quantity of ships, which numbered 540 in October of last year. The improved target acquisition and tracking capability of new systems like the Aegis cruisers and retrofitted systems in other combatants, including new, longer range surface-to-air missiles, provide significantly greater firepower in the antiair warfare area. Similar improvements have been made in antisubmarine warfare.

The status of naval aviation is just as bright, marked by steady increases in numbers of the more capable F-14, F/A-18, P-3C Update III, LAMPS III, and A-6E aircraft in the fleet.

Mr. MARTIN. Let me ask just one question. And if you don't have the answer that is certainly understandable. About the operating of our area air you used the term "in a European scenario." I was over there on a "quick look", which again I recommend to everybody, and I am ready to recredit myself with our area air capability there in Germany, whatever. Our Canadian friends had a major share of that at the time, and I was wondering is that still the case? There is nothing wrong with it. But is that still the case? Is that what you are speaking about here, or is just what we deploy to the NATO area?

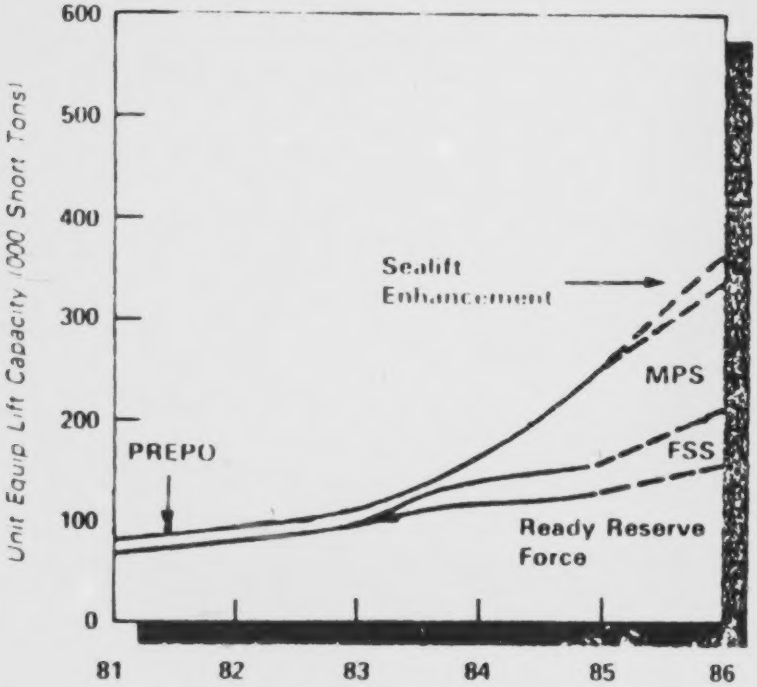
Mr. **Taft.** Let me be sure that I understand the chart before I give you an answer to that. If I could provide that for the record. As to whether it is us or us plus the Canadians or NATO, I am not clear on that. I would like to provide that for you.

Mr. **Daniel.** Without objection.

Mr. **Taft.** The new or improved aircraft weapons, including the AIM-7M—this is back on the Navy aircraft—the AIM-9M, Harpoon, the IIR Maverick, and Standard ARM missiles, provide longer standoff ranges and greater lethality. Marine Corps aviation is undergoing its most dramatic change in recent history with the procurement of the F/A-18, the AV-8B, and the CH-53E.

The Marine Corps has begun an unparalleled force modernization effort that is significantly enhancing the warfighting capability of its ground elements at every level. The introduction of a new family of weapons has increased infantry battalions' firepower by approximately 25 percent. These improvements coupled with a more modern fleet of support vehicles produce a more potent and survivable battlefield force.

Defense Programs for Strategic Sealift Capacity



Legend

RRF = Ready Reserve Force
PREPO = Prepositioning Ships
FSS = Fast Sealift Ships
MPS = Maritime Prepositioning Ships

Chart 11.

Our sealift surge capacity will roughly triple over the period 1980 to 1986, as shown in this chart. The Maritime Pre-positioning Ships Program will provide three squadrons of depot ships, each loaded with equipment and supplies for a 10,500-man Marine Air-Ground Task Force. All eight——

Mr. Daniel. Excuse me, Mr. Secretary.

Mr. Taft. Yes, sir.

Mr. Daniel. You said 10,000. My chart says 16,000.

Mr. Taft. 16,000, I am sorry.

Mr. **Daniel**. 16,000, is that correct?

Mr. **Taft**. That is right. That sounded wrong to me when I said it.

Mr. **Daniel**. Thank you.

Mr. **Taft**. All eight SL-7 fast sealift ships will be delivered by the end of this fiscal year, and our Ready Reserve Force is being gradually expanded. Our strategic airflift force also grows by about 25 percent over the same period.

The unique capabilities provided by our Special Operations Forces extend over the entire spectrum of conflict. And we have built up here as well, with more improvements included in our current 5-year program. For example, growth in Army Special Operations Forces includes the activation of a Ranger regimental headquarters, a third Ranger battalion, a fourth active Special Forces group, and establishment of the First Special Operations Command. The Air Force has also made good progress, increasing the aerial refueling capability of its Special Operations Forces by about 85 percent. And I would like to thank, Mr. Chairman, you particularly for the support that you and your committee have given us in this area of vital importance to us.

Mr. **Daniel**. Here again this has been a joint effort.

Mr. **Taft**. Yes, indeed, sir.

In conclusion, I would like to emphasize that all aspects of our military capability have improved, most of them substantially, over the past 5 years. Our budget will support further improvements in the next 5 years. Cuts, of course, will make it more difficult.

As to the measures that we need to develop to know exactly what increases we are getting or foregoing, depending on particular budget levels, we do have some work to do, and I will work with this subcommittee to continue to improve the measurements that we have in place and to develop others, and particularly to develop ways of integrating a look at one area with a look at another. That is where the problem comes, it seems to me, principally, is in connecting equipment to training to numbers of people, qualtity of people—these things. It is the integration. We can measure each one of these elements separately fairly well, and I have been referring to those things here. But it is the finding out how they are operating all together that is the difficult task that lies before us, and we will work with you in that effort.

I thank you, Mr. Chairman, for the opportunity to present this statement. I will be happy to respond to any questions that the committee may have on it or any other matters.

[The statement of Mr. Taft follows:]

Prepared Statement of Hon. William H. Taft, IV

I. INTRODUCTION

In his statement before the Senate Armed Services Committee on February 5th, Admiral Crowe spoke to the state of our armed forces. He said, and I quote:

> Last year, General Vessey testified before this Committee that "by every common sense measure, our forces are more ready than any time in the recent past." I can testify from personal observation that statement remains valid today.

Admiral Crowe also said, and I quote again:

> Your investment in national defense for these few years has paid huge dividends.

Later in this hearing, I will show you some of the data that support that conclusion. But first, I want to review the issues associated with measuring readiness, and military capability more generally, and bring you up to date on our efforts to evaluate the status of our military forces objectively.

Let me begin by underlining that there is a clear distinction between the terms "readiness" and "military capability." All too often there has been a tendency to confuse these terms, or to treat them interchangeably. For example, one frequently finds the size, modernization, and combat staying power of our forces discussed under the heading "readiness." As I will explain in more detail subsequently, the term "readiness" as used in DoD has a specific, fairly narrow meaning; what is of broader concern to us in DoD, and I believe to the Congress and the public, is "military capability."

Figure 1 outlines my presentation. I will first discuss briefly our efforts to develop better capability measures. I will then define the four "pillars" of military capability more rigorously and cover the first two of them--readiness and sustainability--in much the same detail we provided last year. I will conclude with a discussion of military capability more broadly, emphasizing the other two pillars--force structure and modernization.

FIGURE 1

Overview of Presentation

- Measuring Military Capability
- Readiness
- Sustainability
- Improvements in Military Capabilities

II. MEASURING MILITARY CAPABILITY

Conducting modern military operations is among the more complex of human endeavors. "Military capability" is, ultimately, the ability to be successful in the conduct of military operations. The variables that govern success, or lack of it, in such operations are numerous; many of them, particularly those pertaining to human performance, are inherently nonquantifiable. Some of the grave difficulties we confront in this area are acknowledged candidly in the GAO's recent report for this Committee.

This does not mean that we have given up on developing better indices of military readiness and capability On the contrary, we have made tangible progress in the last year and will continue vigorously to improve our assessment techniques. But it would be very naive indeed to expect rapid or dramatic improvements to occur in such an intrinsically complex subject area.

Previous Efforts--The Limitations of UNITREP

Over the past years, some have attempted to use UNITREP information as the dominant measure of our military forces' capability. In part, this may be due to the fact that UNITREP evolved from the Operational Readiness Report and, to this day, we have not been able to remove the overly broad implications associated with the word "readiness." To correct this problem, the Office of the Joint Chiefs of Staff (OJCS) and Services currently are reviewing the terms and definitions associated with UNITREP to ensure that they accurately characterize what actually is portrayed in the report.

UNITREP does not reflect many of the things vital to success in combat, such as the quality of equipment relative to the threat, the state of morale, and the quality of leadership of a unit. UNITREP is primarily concerned with unit resources--people and their training, equipment on hand and its maintenance, and supplies on hand. The system tells us the number and condition of these resources for a particular organization at a specific point in time.

While the status of a unit's manpower and materiel resources at a specific time is an indicator of that unit's preparedness to carry out its assigned wartime mission, it is only one indicator. Therefore, neither UNITREP data nor the term "readiness" can be used to characterize the totality of factors that combine to make up military capability.

Despite limitations in the usefulness of UNITREP data due to both the peculiarities of the reporting system and the dynamics of changes in the force, each of the Services has confidence in the system and is satisfied that UNITREP meets its particular management needs. In fact, the UNITREP system is a valuable internal management tool. It assists us in making decisions during periods of crisis, as the level of alert increases, to upgrade selected units' resource levels so that they will be better prepared for their assigned missions.

Current Approach

Mindful of the general concern about measuring military capability, we reviewed UNITREP carefully last year to see if it could be made useful for this purpose. We concluded that it could not without negating its ability to provide an accurate assessment of unit resources.

Instead of altering UNITREP, Secretary Weinberger last summer directed the JCS to conduct an overall assessment of the changes in our military capabilities over the past five years, the results of which I will discuss later. Last fall, Secretary Weinberger also formed a new OSD/OJCS steering group to address the problem of evaluating military capabilities. The group took as its first task a review of the JCS's military capability assessment. Having completed that task, the group will begin the longer-term effort for which it was established: development of a comprehensive set of measures that are reasonably simple to understand separately, and that in combination present an accurate view of overall capability trends.

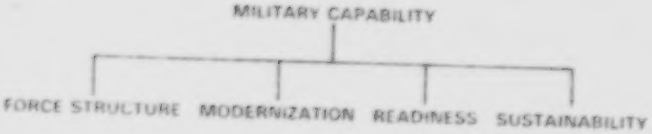
I would now like to proceed with a detailed discussion of our progress in readiness (narrowly defined) and sustainability--consistent with our practice of the past several years--starting with definitions of these terms and the ways that they contribute to overall capability. Thereafter, I will treat the contributions of the other two capability "pillars"--force size and modernization--in the context of overall capability.

III. MILITARY CAPABILITY AND ITS COMPONENTS

The four attributes, or "pillars," that together make up our overall military capability are defined as follows:

- By **force structure**, we mean the number, size, and composition of the units that constitute our defense forces (e.g., divisions, ships, air wings).
- By **modernization**, we mean the quality of the forces' ships, aircraft, and other equipment--their firepower, maneuverability, survivability, and so forth.
- By **readiness**, we mean the ability of our forces--as manned, equipped, and trained at a particular time--to perform the missions for which they are designed at the beginning of combat.
- Lastly, by **sustainability**, we mean the forces' "staying power" during combat, which is often measured in numbers of days.

FIGURE 2

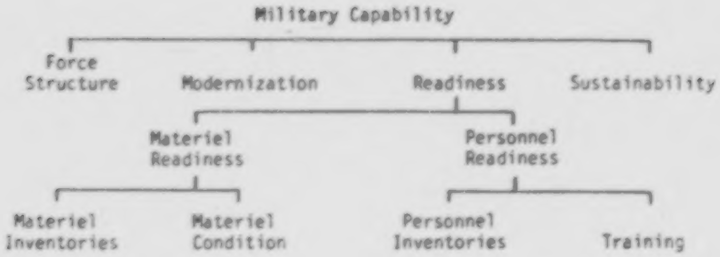


Thus, "readiness," as we define it, is only one "pillar" of the broader concept of military capability. We most often use the term "force readiness" or "readiness" to mean the pre-M-Day status of our forces with respect to their wartime requirements for operationally available materiel and trained manpower; "sustainability" measures the forces' post-M-Day staying power.

Unless one keeps these distinctions in mind, it is easy to confuse the four components of capability. It is also possible to misconstrue their meaning in other ways. For example, our forces might be 100 percent ready --with all their equipment operational and all their personnel trained--and still not have the desired military capability because their equipment may not be effective enough against the threat or the force structure itself may be inadequate. On the other hand, a unit or force may perform adequately in combat--by virtue of having sufficiently modern equipment and adequate sustainability--even though it is less than 100 percent ready.

The two pillars of readiness and sustainability break down further as shown in Figure 3.

FIGURE 3



Readiness has both materiel and personnel dimensions. These areas are measured in several ways; no single measure is suitable for all occasions.

For materiel readiness, we have established the following subdivisions:

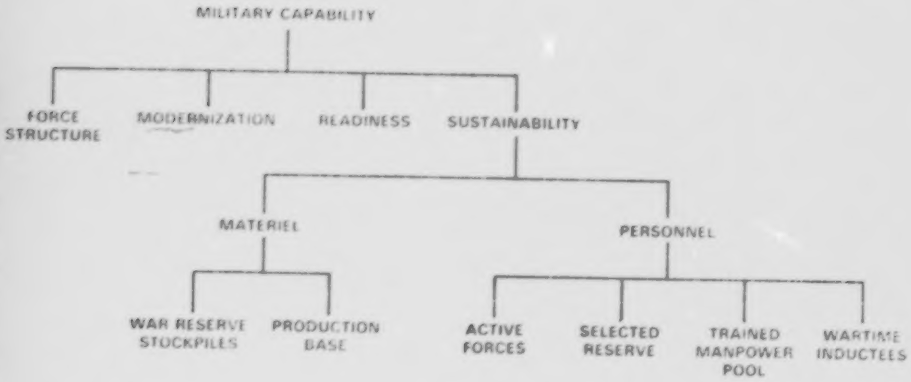
- Inventories of equipment and supplies on hand.
- The condition of these items, which is most often measured by the mission capable (MC) rate--the average percentage of time a weapon system or piece of equipment (or a collection of them) is able to perform the function for which it was designed, procured, or modified.

There are two corresponding measurement categories for personnel readiness:

- Personnel inventories, which are assessed using both quantity and quality measures. For quantity, we look at the relationship between wartime requirements and the actual manning of our forces. Complementing this relationship are quality, or "condition," measures, such as recruiting results, recruit quality, experience, and stability.
- Collective unit training, which indicates the amount of time units spend in combat-related training. Such measures include training exercises, flying hours, steaming days, and battalion training days.

There are also several critical components of sustainability--the staying power of the force in combat (see Figure 4). To sustain our forces, we must plan in peacetime to replace many of those resources that would be consumed or lost in combat. This post-D-Day materiel must come from either war reserve stockpiles or a mobilized production base. Analogously on the personnel side, there is pre-trained manpower (the Selected Reserve, Individual Ready Reserve, Standby Reserve, and Retired Reserve) and the supply of post-M-Day inducted manpower that would have to be trained after M-Day.

FIGURE 4



The major emphasis of our sustainability program has been on building our war reserve stocks. Since production lead times for consumables (munitions and spares) and major items of equipment are long (two years or more for most items), our investments in the production base have been primarily those needed to produce materiel more efficiently or more economically during peacetime and to give us a surge capability for a crisis.

IV. READINESS

Personnel Readiness

There are two major components of personnel readiness: personnel inventories and training.

Personnel Inventories. The readiness of personnel inventories is assessed using both quantitative and qualitative measures. The primary quantitative measure is the relationship between programmed manning and the programmed structure. Programmed manning is the number of billets in the force structure that the Services "plan" (i.e., have provided resources in their budget and/or five-year program) to fill. The programmed structure is the number of billets required for full wartime operations. Our overall goal is to have enough programmed manning to fill at least 90 percent of the programmed structure for each component of each Service. Our more time-critical units are manned at higher rates, some at 100%.

Figure 5 shows the changes in both active and reserve programmed structure and programmed manning in FY 1985 and in the FY 1987 President's Budget.

FIGURE 5

Programmed Structure and Progammed Manning (000)

	Programmed Structure	Programmed Manning	Percent Manning
FY 1985			
Active	1,997.6	1,860.3	93.1
Reserve	1,113.2	1,050.7	94.4
FY 1987			
Active	2,046.7	1,906.1	93.1
Reserve	1,172.2	1,124.8	95.9

It is very important that Congress approve the number of personnel we have requested. End-strength constraints, which have been imposed in the past, reduce our flexibility and ultimately require decreases in force structure that affect our overall capability adversely.

Once the raw numbers relating to personnel inventories have been assessed, other measures relating to the quality, or "condition," of the personnel inventory are examined. These measures include numbers and quality of recruits, experience, retention, and the stability of the personnel inventory. In all of these areas, we have experienced successes over the past several years, but continued Congressional support is necessary for our compensation, bonus, and other personnel support programs if we are going to sustain present levels of performance.

Figure 6 shows the Active Component recruiting results for FY 1985 and the goals for FY 1986 and 1987. Each Service met its Active Component recruiting goal for FY 1985. We expect to meet our objectives in both FY 1986 and FY 1987 in spite of a more difficult recruiting environment, provided that our military compensation programs are funded by the Congress.

FIGURE 6

Enlisted Active Duty Accessions[a]
(Numbers in Thousands)

	Actual		Planned	
	FY 1985 Objective	Percent Achieved	FY 1986 Objective	FY 1987 Objective
Army	125.3	100	136.2	137.7
Navy	87.6	100	94.8	98.9
Marine Corps	36.5	100	33.1	33.7
Air Force	67.0	100	67.5	71.4
Total	**316.4**	**100**	**331.6**	**341.7**

[a] Includes prior service and non prior service accessions

Figure 7 presents Reserve Component recruiting data for the same period.

FIGURE 7

Selected Reserve Enlistments[a]
(Non-Prior/Prior Service in Thousands)

	Actual		Programmed	
	FY 1980	FY 1985	FY 1986	FY 1987
Army National Guard	50/47	39/44	48/45	51/45
Army Reserve	26/34	29/46	31/46	31/47
Naval Reserve	3/25	12/20	11/23	12/28
Marine Corps Reserve	5/4	9/6	9/6	8/6
Air National Guard	7/10	5/10	5/9	7/10
Air Force Reserve	3/10	3/10	4/10	4/11
Total[b]	**94/128**	**98/135**	**108/139**	**113/147**

[a] All data include Active Guard and Reserves (AGRs), Navy Training and Administration of Reserves (TARs), and Category D Individual Mobilization Augmentees (IMAs). Includes Navy Sea Air Mariner (SAM) recruiting program for FY 1985 and beyond.

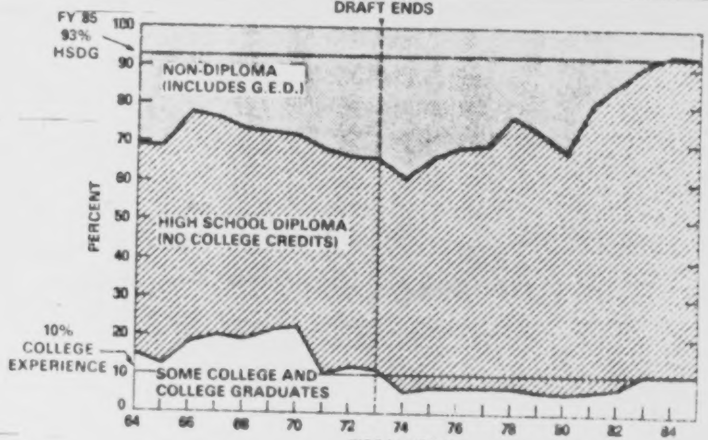
[b] Numbers may not add to totals due to rounding

Not only have we been successful in recruiting the numbers of people we need; we also have been getting the highest-quality men and women since the mid-1970s. We use two statistics to measure recruit quality: numbers of high school graduates and scores on the entrance examination.

Figure 8 shows the educational attainment of active accessions over the last two decades, both with and without conscription. To provide some perspective here, in the youth population as a whole about 75 percent earn a high school diploma.

FIGURE 8

DISTRIBUTION OF DOD NPS ACCESSIONS* BY EDUCATIONAL ATTAINMENT FY 1964 THRU 1985

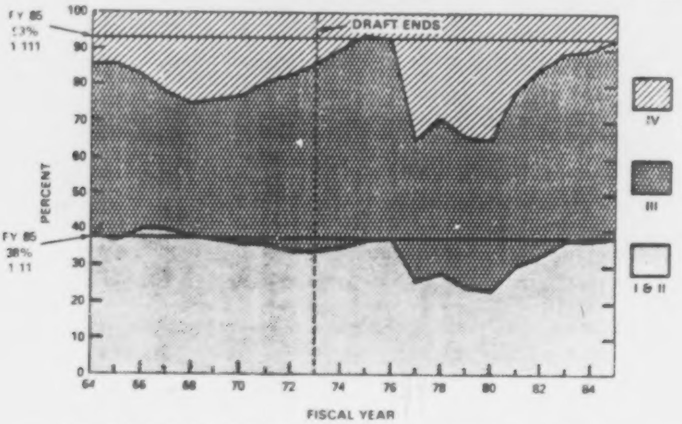


*INCLUDES NPS MALES AND FEMALES (INDUCTEES, REGULARS, AND RESERVES WITH 2 OR MORE YEARS ACTIVE COMMITMENT)

Figure 9 shows the trend in entrance examination scores over the last two decades. By this measure, too, we have been successful in attracting high-quality people. In the general youth population only 69 percent are in AFQT Categories I-III; in FY 1985, 93 percent of our recruits were in these top three categories.

FIGURE 9

DISTRIBUTION OF DOD NPS ACCESSIONS* BY AFQT CATEGORY FY 1964 THRU 1985



*INCLUDES NPS MALES AND FEMALES (INDUCTEES, REGULARS AND RESERVES WITH 2 OR MORE YEARS ACTIVE COMMITMENT)

Figure 10 presents comparable data for the Reserve Components for FY 1980 and FY 1985.

FIGURE 10

Non-Prior Service (NPS) Reserve Enlistments— High School Graduates and Entrance Test Category

	FY 1980		FY 1985	
	Number	Percentage of Total NPS Enlistments	Number	Percentage of Total NPS Enlistments
Total NPS Enlistments	93,700		97,800	
(Army Reserve Components)	(76,200)		(68,600)	
High School Graduates*	61,300	65	83,300	85
(Army Reserve Components)	(48,600)	64	(57,200)	83
Entrance Test Category I-III	68,300	73	87,900	90
(Army Reserve Components)	(53,300)	70	(60,800)	89

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*Includes equivalency certificate and diploma graduates and students currently in high school who are expected to graduate

Leadership and experience are also important indicators of the quality of our military personnel. More complex weapons systems and missions require a more experienced force. The proportion of the force with more than four years of service has increased significantly since FY 1980. These are the people with the necessary training and experience to operate and maintain the new, more complex weapons systems that are being introduced. The higher experience level of the force is a result of improved retention, which, in turn, has resulted from better compensation and the use of selective reenlistment bonuses. Figure 11 shows experience trends in the Active Component.

FIGURE 11

Active Component Enlisted Experience
(Percent)

	FY80	FY81	FY82	FY83	FY84	FY85
Enlisted Over Four Years	42	44	46	47	48	49

Since most reserve enlisted personnel have seen active service, experience levels in the Reserve Components are also good.

The stability of the personnel inventory contributes to readiness by increasing unit cohesion and effectiveness. The aggregate stability data presented in Figure 12 indicate the percentage of personnel who remain on active duty over a period of a year. This measure captures the net effect of retention and attrition. As the figure shows, aggregate stability has reached good levels. Our goal is to maintain those levels.

FIGURE 12

Aggregate Stability
(Percent)

	FY80	FY81	FY82	FY83	FY84	FY85
Officer	90.8	92.2	92.6	93.1	92.1	92.2
Enlisted	80.7	82.3	83.9	83.9	83.8	84.6

Unit stability is a measure of personnel who remain in the same unit over a period of a year. Higher unit stability increases unit performance and readiness. Figure 13 presents unit stability data for the Active Component for the period FY 1980 through FY 1985.

FIGURE 13

Unit Stability
(Percent)

	FY80	FY81	FY82	FY83	FY84	FY85
Officer	47.1	49.3	49.7	49.0	46.8	48.0
Enlisted	42.6	44.1	44.0	45.1	44.6	45.4

As would be expected, aggregate stability in the Reserve Components is slightly less than in the Active Component, while unit stability is much higher in the reserves.

Training. Training readiness is developed through rigorous, realistic training for operational units of all sizes--from aircrews and infantry squads to battalions, squadrons, and multi-Service task forces. Units that do not develop into coordinated, effective teams through high-quality training cannot be counted on to perform to their full potential in combat.

Good collective unit training is based, first, on adequate opportunities to train and, second, on the quality of training. Figure 14 shows trends in opportunities to train in the active force.

FIGURE 14

Indicators of Training Opportunities

	FY80	FY81	FY82	FY83	FY84	FY85	FY86	FY87
Flying Hours Per Crew Per Month								
Army a/	18.8	18.4	17.2	16.8	15.6	15.2	18.2	18.3
Navy/Marine Tac Air/ASW	24.2	24.4	23.7	23.6	25.0	25.0	25.0	25.0
Air Force Tac Air	15.6	16.6	17.9	18.6	19.1	19.1	19.0	19.4
Nondeployed Steaming Days Per Ship Per Quarter	28.9	28.5	29.0	27.0	28.2	27.4	29.0	29.0
Army Tank Mileage	1,000	1,000	1,000	1,000	1,000	850	850	850

1/ Includes Reserve Components.

a/This is an aggregate measure of flight training based on total Army flying hours and all operational pilots, including those in the Reserve Components. A narrower alternative measure of Army flying hour OPTEMPO is based on flying hours and crews in combat units only, and is somewhat lower (e.g., 15.4 hours per crew per month in FY 1986).

The most noteworthy success achieved here is in Air Force tactical air flying hours, which have increased by 24 percent over the 1980 level. The Army flying-hour trend shows a return to acceptable levels following recovery from a repair parts shortage that resulted from underfunding in previous years that was first identified in 1982. The apparent fall-off in Army tank mileage since 1984 is attributable mainly to decisions to make more use of simulators in lieu of live-fire exercises, thus reducing required tank mileage.

Training readiness has definitely improved in the last several years. One important reason is the previously cited improvement in our personnel posture, especially the increase in experience and the improvement in unit stability. In addition, the quality of collective unit training is steadily improving. The emergence of the Army's National Training Center as a mature facility offering unprecedented opportunities for realistic combat training for 28 heavy battalions each year is a prime example. Other examples include an increase of 47 percent over FY 1980-86 in the number of "Red Flag" sorties--the most rigorous training available for our tactical air forces--and a 71 percent increase over the same period in the number of JCS-sponsored exercises.

Challenging new automated ranges are being built or planned for Army and Marine divisional installations. New and expanded automated air-to-air combat ranges are becoming available. Simulators are being developed and used to complement conventional training and to help in controlling training costs. These applications of training technology, while costly, pay quick dividends in raising the value of training.

On the training aspects of readiness, we recognize that reserve units face time and space constraints that are quite different from those facing their Active Component counterparts. Careful consideration is being given to developing training devices and simulators that could be tailored to provide more realistic training for reservists. As another part of our effort to improve reserve training, we have increased Reserve Component units' participation in joint and single-Service exercises. Today, more reservists are training in these types of exercises, worldwide, than ever before. For example, in FY 1985, more than 67,000 reservists participated in overseas exercises such as Reforger, Team Spirit, Bright Star, Ocean Venture, and Blazing Trail. In FY 1986, we plan for more than 86,000 reserve personnel to participate in such exercises.

The key to enhanced training readiness is ensuring that each hour or day of training yields the maximum value in learning how to fight and win. This is the strategy we are following to produce ready forces, and we ask your continued support.

Materiel Readiness

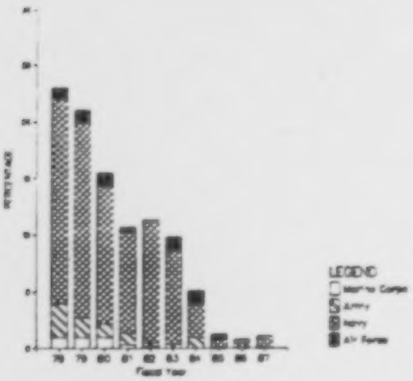
We know that our future materiel readiness depends heavily on our investments today in two key areas--depot maintenance and spares procurement. It also depends on the equipment "fill" of our units and the immediate-availability rates of equipment on hand, which will be treated subsequently.

Both depot maintenance and spares funding have increased substantially over the FY 1980-81 levels, yielding high payoffs in a more ready force. Total funding for these accounts has been relatively constant over the past three or four years, for two reasons. First, we targeted areas where specific improvements were needed and have now accomplished many of them. Second, we have achieved significant cost efficiencies in spares procurement and labor-saving efficiencies in depot maintenance. Funding requests for these accounts in the future will reflect the need to maintain the levels of readiness that we have worked so hard to achieve.

Depot and Field-Level Maintenance. The overhaul and field-level maintenance of ships, aircraft, tanks, missiles, and other major weapons systems are central to the equipment maintenance strategy of each Service. The FY 1987 budget maintains the progress we have made in reducing depot maintenance backlogs resulting from lack of funding.

FIGURE 15

Reduction in Depot Maintenance Backlogs
(Percent of Requirement Backlogged by Year)



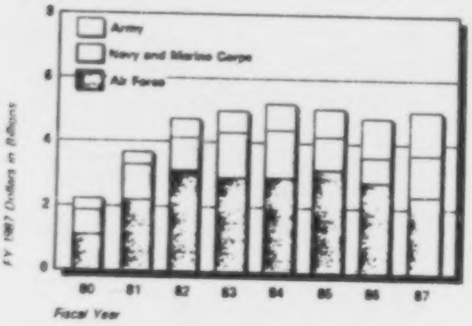
We have several ongoing programs to improve the efficiency of our depot maintenance operations. The Reliability-Centered Maintenance concept is being used extensively. It reduces the frequency of overhauls, and this translates into savings in depot maintenance expenditures. The Asset Capitalization Program, initiated in FY 1983, has enabled the depot maintenance establishment to improve productivity through replacement of aging, inefficient equipment. In another initiative, we have found that by maintaining detailed records on the usage and repair history of particular high-value components, big savings can be achieved in life-cycle maintenance costs. Last year, we directed that this technique be used for all high-value components.

Spares and Repair Parts. The effectiveness of both depot and field-level maintenance programs depends on the availability of spares and repair parts. We require both replenishment spares (to replace those consumed by operational systems) and initial spares (to support new weapons systems entering the inventory). Replenishment spares requirements are driven largely by peacetime activity levels (aircraft flying hours, for example); initial spares requirements are a function of our modernization programs.

As shown in Figure 16, we substantially increased and are maintaining our annual investment in replenishment spares to support peacetime activity levels and improve the operational availability of our ships, aircraft, and combat vehicles. In addition, we have fully funded the requirement for initial spares each year to ensure that our newest and most effective equipment is fully supported. We are also investing an additional $7 billion in initial repair parts purchased through stock funds between FY 1983 and FY 1987. By increasing the ""corpus" of these funds, we enhance the responsiveness of our supply system to spare parts orders. As a result, the new weapons systems procured through our modernization programs are considerably better supported at delivery than were their predecessors.

FIGURE 16

Peacetime Replenishment Spares Funding



Equipment Inventories. With the exception of the Army, our equipment fill of the existing force structure is generally good. The Army problem has been highlighted to the Congress several times in the past. We have not had sufficient fiscal resources to re-equip the Army with modern combat equipment and provide all the needed support equipment.

While the tight fiscal environment limits what we can accomplish, I am happy to report that substantial progress is being made in this area. Over the past year, the Army has increased the equipment fill of 144 active units deployed in Europe and Korea to at least minimally acceptable levels, and higher in some cases. Some 300 forward-deployed and early-reinforcing units are now scheduled for similar attention.

Mission Capable Rates. We use mission capable rates as an indicator of the peacetime readiness of our equipment. A piece of equipment is rated "mission capable" if it can perform at least one of its primary missions, and "fully mission capable" if it can perform all of its missions. For aircraft, we have found it most meaningful to focus on mission capable (MC) rates, while for ground equipment, we focus on fully mission capable (FMC) rates. These rates tend to reflect the cumulative effect of maintenance funding, spares inventories, maintenance personnel training, and a myriad of other factors.

We set goals for each type of equipment in each Service. In the late 1970s and early 1980s, the Department was missing these goals, sometimes by large margins. However, with the increased funding we have been able to apply, the MC and FMC rates now meet or exceed our stated goals in most areas; where they fall short, the gap is small. The most significant improvements have been in the aviation communities of all Services. Marine Corps ground units are generally above goal. Army ground units are very close to their goals. Figure 17 provides details.

FIGURE 17

Mission Capability of Aircraft and Equipment

	FY80	FY81	FY82	FY83	FY84	FY85	Goal
Army (FMC)							
Aircraft	66	66	68	70	71	74	75
Fire Support Artillery	88	88	90	90	89	93	90
Fire Support Missile Systems	91	91	96	95	94	96	90
Tanks	86	86	87	87	87	87	90
Combat/Combat Support Vehicles	88	86	85	86	88	89	90
Navy (MC)							
Total Aircraft a/	59	59	63	66	70	71	73
Fighter/Attack Aircraft a/	53	53	57	60	63	66	68
Air Force (MC)							
Total Aircraft	66	65	67	68	71	75	75
Fighter/Attack Aircraft	62	65	66	69	73	76	74
Marine Corps (FMC)							
Artillery	88	88	86	90	89	88	85
Missile Systems	94	93	93	94	92	90	85
Tanks	86	84	88	90	87	87	85
Combat Vehicles	84	83	82	86	82	89	85

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a/ Includes Marine Corps aircraft.

We are very proud of our mission capability accomplishments, and we greatly appreciate the Congressional support we have received in making them possible.

V. SUSTAINABILITY

Personnel Sustainability

There are four major aspects of personnel sustainability: the size and structure of the active forces, the size and structure of the Selected Reserve, the pre-trained manpower pool supporting both the active forces and the Selected Reserve, and the training base to process volunteers and conscripts in time of war.

The active forces must be sized and structured so as to be able to absorb the initial impact of any conflict, to allow time to mobilize the Reserve Components, and to permit inductions from the civilian population to begin. To accomplish this, it is necessary to have a sufficiently large active force structure supported by the necessary end strength. Constraints on active end strength hamper our ability to achieve such a capability.

The size and structure of the Selected Reserve is the next aspect of personnel sustainability. Selected Reserve units supplement or replace active units once the reserves have been mobilized. The Selected Reserve, like the active forces, provides both trained units and individuals who can be used as needed as a conflict progresses. Wherever possible, peacetime missions are assigned to Selected Reserves within their proven capability to complement the active force and enhance the transition to a wartime status.

The third aspect of personnel sustainability is the pool of pre-trained individuals found primarily in the Individual Ready Reserve (IRR), the Inactive National Guard (ING), and in the military retiree population. This manpower pool could now partially fill the gap between mobilization and the time the first inductees are fully trained. The IRR and ING consist mainly of ex-service members who still have a military obligation. They generally would require some refresher training, because they are not in organized units and do not attend drills. However, because of their prior military service, they can be returned to necessary levels of competence much more quickly than can people with no prior military service. We have recently taken two steps to enhance the IRR/ING pool. The first step was to extend the military obligation from six to eight years. This action expanded the pool, which at the end of FY 1985 stood at about 478,000. By 1990, we expect the IRR/ING to number about 650,000. The second step was to require members to report annually for screening in order to assess their skill levels and physical condition.

Military retirees are yet another proper source of pre-trained manpower and would also be used extensively in a major conflict. Military retirees can be recalled to active duty by the Secretaries of the Military Departments. We have increased emphasis on the management of physically qualified military retirees whose skills match mobilization needs.

The final aspect of personnel sustainability is the capability to generate quickly the substantial training base necessary to process and train volunteers and conscripts. The Selective Service System is prepared to deliver inductees to the armed forces based on the training base's ability to absorb them. We are currently reviewing our process for determining inductee delivery rates during mobilization so as to ensure that the right numbers and types of people would be available to train inductees.

The programs we have in both the Active and Reserve Components, particularly the recent steps we took with the IRR, have increased our ability to sustain our personnel inventories in time of war.

Materiel Sustainability

Our sustainability objective is to ensure logistical support for our conventional forces from the initiation to the successful termination of any hostility. Our requirements for combat-essential materiel during a conflict will be much larger than normal peacetime consumption. For this reason, we are striving to build up our war reserve stocks to a level sufficient to support our combat forces until the industrial base can mobilize to meet wartime requirements.

Long production lead times and the large requirements (which have grown in response to threat increases) make building stockpiles of war reserve munitions and repair parts a slow, expensive process. Although the sustainability accounts were allocated some of the largest real funding increases over the last four years, only a little more than half of the materiel from this investment has been produced and delivered. Once the remainder is in hand, we will have greatly increased our stockpiles in absolute terms.

However, relative to our requirements, which are driven by the size and quality of threat to be countered, we still are not close to achieving the posture we need. We hope that this committee will support our FY 1987 request, which represents a modest increase over FY 1986, consistent with the overall limits on the DoD budget.

In recognition of the problem posed by our sustainability objectives being higher than we can meet with available funds, the Secretary commissioned a study of innovative ways to bring materiel sustainability to a prudent level of risk within likely fiscal constraints. The study group was asked to determine how we should distribute funding between programs for building peacetime stockpiles and those for making the industrial base more responsive. Results from the study should be available later this year.

The three primary components of wartime sustainability are munitions sustainability, war reserve stockpiles, and the industrial base.

Munitions. We have continued the progress reported last year toward redressing critical deficiencies in munitions sustainability. Funding for the last eight budget years is shown in Figure 18. This graph demonstrates our resolve to build our munitions inventories to the point that we would never be forced to escalate to theater nuclear weapons because our conventional munitions had been exhausted. Even with these increases, however, achieving our mid-term objective has been painfully slow. The long production lead time for munitions, about two years, means that the increased funding provided in FY 1982 and FY 1983 is only now being translated into increased combat staying power.

FIGURE 18

Munitions Sustainability Funding

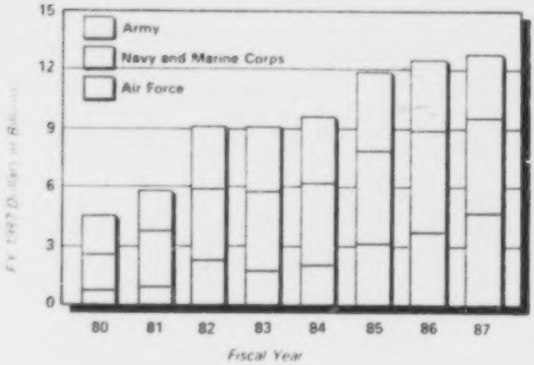
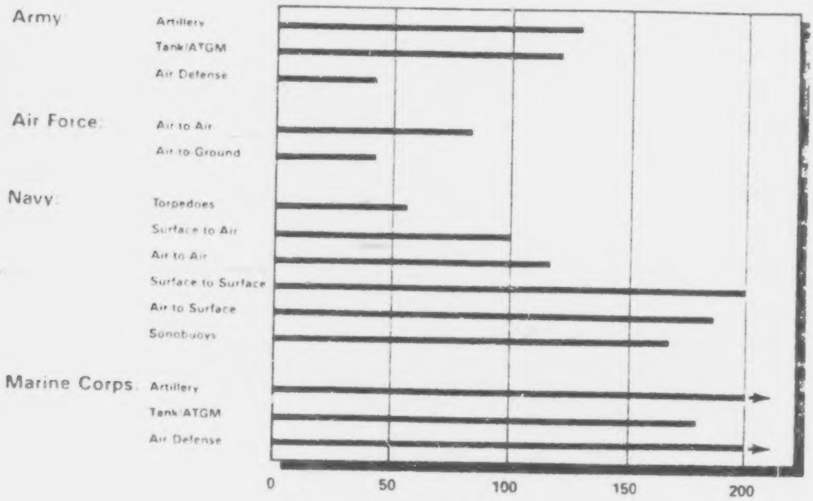


Figure 19 reflects the increase in sustainability for major categories of munitions from FY 1981 to the end of the FY 1987 funded delivery period (FY 1989), if the amounts requested in the FY 1987 budget are approved. All of the Services show substantial improvement, with the Navy making the greatest strides.

FIGURE 19

Progress in Improving Sustainability in Munitions

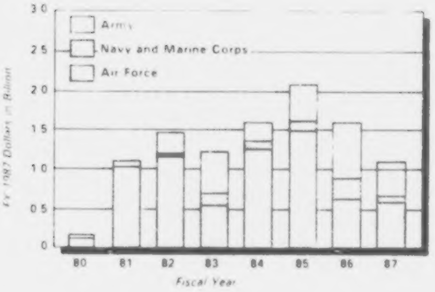


% Improvements Over FY 81 Posture
(Assets End FY 1981 Funded Delivery Period versus End FY 1987 Funded Delivery Period)

War Reserve Secondary Items. In establishing war reserve requirements for secondary items, we take into account the higher tempos at which our forces would have to operate in a conflict. We have concentrated on filling those stockpiles of prepositioned secondary items that would be required first. To accomplish this, we have been emphasizing procurement of such materiel; however, fiscal constraints have resulted in decreases in the past two years from the FY 1985 levels, as shown in Figure 20.

FIGURE 20

War Reserve and Repair Parts Funding



Because of long production lead times, only about half of the secondary items in which we have invested over the last four years have been delivered. Today, we have about one-third of our prepositioning objective on hand. This figure will rise to about two-thirds with the delivery of secondary items funded in prior years and in our FY 1986 request.

__The Industrial Base__. Our industrial base program is designed to improve production efficiency, establish production and repair surge capabilities, enhance wartime sustainability, and improve industrial preparedness planning. The primary focus in this area recently has been on enhancing production "surge" capabilities. Funds for nine production-surge projects were requested in the FY 1986 budget, and seven projects were authorized by the Congress. Nineteen high-priority candidates were reviewed for the FY 1987 surge program, and after detailed cost-payoff analyses, eight of the most promising projects, costing $91 million, have been proposed in the FY 1987 budget. These include completion of the TOW-II project, gun tube castings and forgings, sonobouys, the AIM-9 Sidewinder missile, aircraft landing gear, the Combined Effects Munition, and the Harpoon missile. The budget request for FY 1987 also includes $160 million for selected additional improvements to the ammunition production base to enhance modernization and mobilization capability. I very much hope that this Committee will give these programs its enthusiastic support.

This concludes my detailed coverage of readiness--as we would define it--and of sustainability. I would now like to describe our attainments in the broader context of military capability, which includes force structure and modernization as well.

VI. IMPROVEMENTS IN OVERALL MILITARY CAPABILITY

Overall, U.S. military capability has improved steadily over the past six years. However, our progress must be measured against the continued growth of the threat we and our allies confront. Therefore, while the improvements I will describe today are considerable, we still have a great deal to do.

I will address improvements in our overall warfighting capability from the perspective of seven major categories, ranging from Nuclear Forces at one end of the warfighting spectrum to Special Operations Forces at the other end. This material is drawn largely from the previously cited JCS review of our military capabilities that Secretary Weinberger directed last summer.

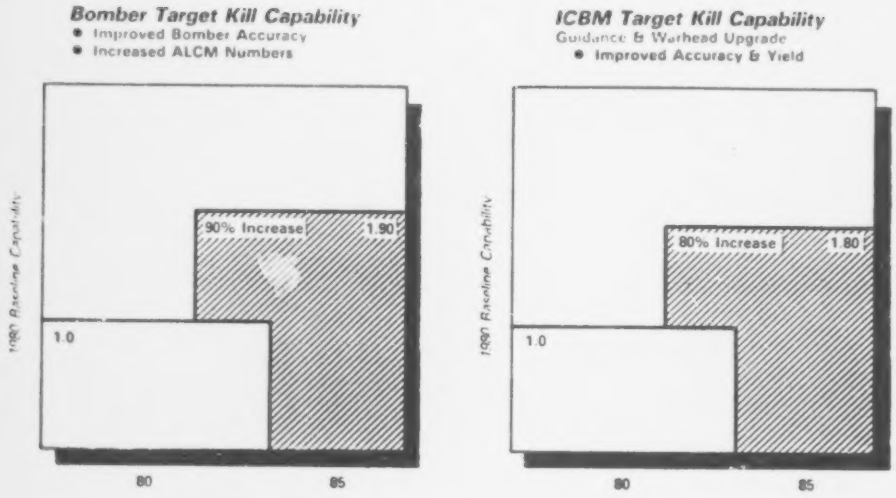
Nuclear Forces and Command, Control, and Communications Support

Since 1981, we have begun production of the B-1B, which will become our primary penetrating bomber toward the end of this decade. We have improved the bombing accuracy of B-52Gs and Hs, modified more than 100 aircraft to carry air-launched cruise missiles (ALCMs), and deployed more than 1,500 ALCMs. As a result of the accuracy improvements and the addition of the ALCMs, bomber capability to destroy hard targets has increased by 90 percent.

We have begun modernizing the intercontinental ballistic missile (ICBM) force. Production of the Peacekeeper missile has started; the first 10 Peacekeepers will be deployed in Minuteman III silos by December 1986. We have made tremendous progress in basing technology, particularly on mobile launchers and hardened silos. We have also increased the effectiveness of existing Minuteman missiles by refurbishing motors and silos, improving guidance systems, and upgrading the warhead on a significant portion of Minuteman IIIs. The warhead and guidance improvements have resulted in an 80 percent increase in ICBM capability against very hard targets since 1981.

FIGURE 21

Improvements in Bomber and ICBM Capability



The naval strategic modernization program has increased both the size and the capability of our submarine-launched ballistic missile (SLBM) force. Since 1980, seven Trident submarines have joined the fleet. We have retired five Polaris submarines from strategic service; two of them remain in the force as attack submarines. Overall, we have increased the number of SLBMs in the force by 36 percent since 1980.

To improve low-altitude surveillance for strategic defense, we are deploying a network of Over-the-Horizon Backscatter radars. We and Canada are also replacing the now-obsolete Distant Early Warning Line with a network of microwave radars, called the North Warning System. We have now completed the replacement of obsolete F-106s with F-15s in three active air defense interceptor squadrons, giving these units modern fighters with a "look-down/shoot-down" capability to detect and engage enemy aircraft penetrating at low altitudes.

The satellites and ground-based radars constituting our ballistic missile warning network are being modernized. Two PAVE PAWS phased-array radars now operational on our eastern and western coasts monitor regular Soviet ballistic missile submarine operating areas. When the two new PAVE PAWS radars--one in Georgia and the other in Texas--become operational in FY 1987, we will have closed coverage gaps to the southeast and southwest of our borders. Ballistic Missile Early Warning System (BMEWS) radars that would confirm satellite warning of an ICBM attack are being modified with phased-array radars similar to PAVE PAWS.

We have made significant improvements in the capability and survivability of our other strategic command, control, and communications (C^3) systems. All four electromagnetic pulse (EMP)-hardened E-4B aircraft serving as National Emergency Airborne Command Posts are now operational. The Air Force Satellite Communiations System, which became fully operational in FY 1984, provides low-data-rate communications to our strategic forces worldwide. The new Defense Satellite Communications System (DSCS)-III satellites will provide high-data-rate communications for the strategic forces as well as many other users. We are also pursuing programs to improve communications to deployed ballistic missile submarines.

Our highest-priority program for the nonstrategic nuclear forces remains implementation of the 1979 NATO dual-track decision on longer-range INF missiles. Deployments of Pershing IIs and ground-launched cruise missiles (GLCMs) began in late 1983 and have proceeded on schedule at a gradual but steady pace. The 108 Pershing IIs have completely replaced the Pershing IAs, and all 464 GLCMs are scheduled to be in Europe by the end of 1988. We are also deploying long-range nuclear sea-launched cruise missiles on destroyers, battleships, cruisers, and two classes of submarines to complement the sea-based nuclear capability provided by carrier-based aircraft.

Ground Forces

Rough nuclear parity between the United States and the Soviet Union has shifted the burden of deterrence toward modern conventional forces, particularly ground combat forces. Programs designed to strengthen the warfighting capability of our ground forces have resulted in an Army that is more capable than at any time in recent history.

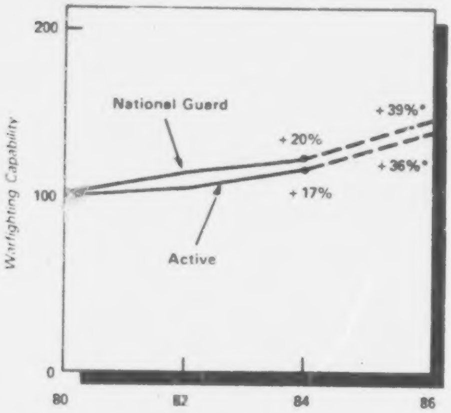
The primary method used by the Army to assess changes in its warfighting capability is MICAF--Measuring Improved Capability of Army Forces. This computerized model measures changes in warfighting capability resulting from the fielding of modernized equipment and force structure improvements. Manning, logistic support, and command and control factors are taken into consideration.

The MICAF model simulates a battle pitting Army divisional units against an equivalent-sized Soviet composite force in Europe. These engagements are conducted in different combat postures. MICAF shows capability improvements in relation to a constant 1984 Soviet threat.

The MICAF system indicates that the warfighting capability of active and National Guard divisions increased by 17 percent and 20 percent, respectively, between 1980 and 1984. Further increases, bringing the total improvement to 36 percent for the active divisions and 39 percent for the National Guard, are projected by the end of 1986. 1/

FIGURE 22

Improvements in Ground Combat Capability



*FY 84 Budget Procurement
(2-Year Funded Delivery Period)

The Army's modernization program is providing our ground forces with equipment designed to retain a qualitative edge over the much larger Soviet force and to improve our forces' ability to employ the associated new warfighting doctrine. More than 400 modern systems are programmed for fielding. Included are combat systems such as the M-1 tank, Bradley Fighting Vehicle, Multiple Launch Rocket System, and Apache attack helicopter. Also included are many support systems such as the Blackhawk helicopter, the High-Mobility Multipurpose Wheeled Vehicle, and the 10-ton Heavy Expanded-Mobility Tactical Truck.

Along with the more modern equipment, the Army is increasing its number of divisions; two more active divisions are being created without increasing Active Component end strength, and two new National Guard divisions are being added as well. These modernization improvements and force structure additions will provide a balanced force, capable of worldwide employment, to deal with threats across the spectrum of conflict.

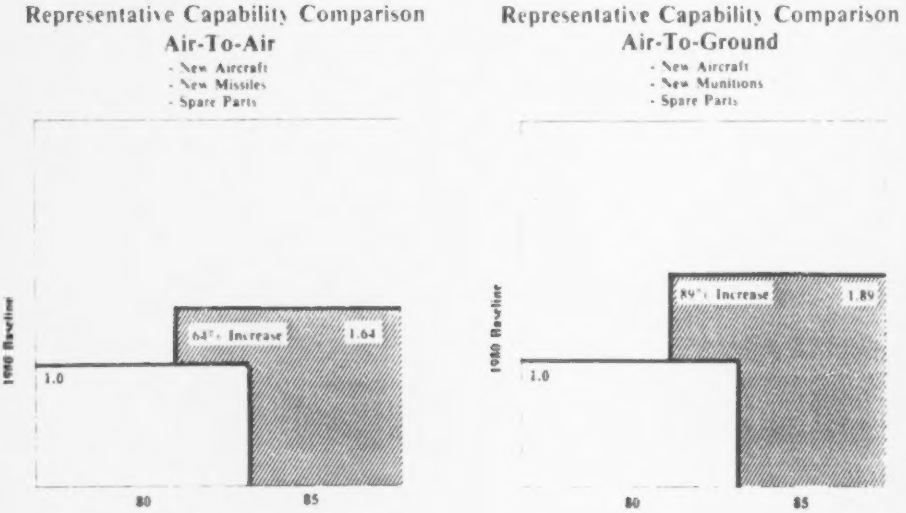
1/ These numbers are being updated. The revised numbers will be published in the DoD Military Status Report.

Tactical Air Forces

The capability of tactical air forces to accomplish their assigned tasks is directly related to the number of aircraft sorties that can be generated and the availability of munitions. We have experienced major increases in our capability to generate wartime fighter sorties, and to load the aircraft flying them with modern munitions, over the past five years. Concurrently, we have been gradually pushing upward toward 40 tactical fighter wings, and replacing older-model aircraft with A-10, F-15, and F-16 models. The result has been an increase in our air-to-air engagement kill capability of almost 65 percent in a European scenario, while the air-to-ground kill rate for that theater has gone up about 90 percent.

FIGURE 23

Tactical Air Capability Improvements



Naval Forces

The warfighting capability of our naval forces has improved markedly with increases in the quality and quantity of our ships, which numbered 540 in October 1985--a 13 percent increase over 1980.

We have also developed numerous significantly improved surface and subsurface weapon systems. The improved target acquisition and tracking capability of new systems like the Aegis cruisers, and of modern systems retrofitted in other combatants, including new, longer-range surface-to-air missiles, have significantly increased the firepower of our antiair warfare forces. Similar improvements have been made in antisubmarine warfare capabilities. The introduction of the high-tech Light Airborne Multipurpose System (LAMPS) MK III helicopter, coupled with multiple-array sonars and improved target-signal-processing systems, will significantly improve the ability of our forces to find and destroy enemy submarines. Our new attack submarines, far quieter and outfitted with advanced sonar systems, are rapidly replacing older, less capable units.

The status of naval aviation is just as bright, marked by steady increases in numbers of the more capable F-14, F/A-18, P-3C Update III, LAMPS III, and A-6E aircraft in the fleet. Design emphasis on maintainability and reliability has increased aircraft utilization rates while reducing downtime for all our new aircraft. New or improved aircraft weapons, including the AIM-7M, AIM-9M, Harpoon, IIR Maverick, and Standard ARM missiles, can be fired from longer standoff ranges and are more lethal than the earlier systems they replace. Improvements are also continuing in the areas of command and control and electronic countermeasures. At the same time, Navy aircrews continue to set new safety records in perhaps the most demanding aviation environment in the world.

The Marine Corps has begun an unparalleled modernization effort that is significantly enhancing the warfighting capability of its forces at every level. The introduction of a new family of weapons--new 40mm and 50-caliber machine guns, for example--has increased infantry battalions' firepower by approximately 25 percent. These improvements, coupled with a more capable fleet of modern vehicles, have greatly increased the combat power and survivability of our forces on the battlefield. To counter a similarly mobile, highly mechanized threat, the Marine Corps has also undertaken an aggressive program to increase its inventories of TOW, Dragon, and Stinger missiles, more than doubling them since 1981.

Marine Corps aviation is undergoing its most dramatic change in recent history with the procurement of the F/A-18, AV-8B, and CH-53E. The F/A-18 provides the combination of flexibility, lethality, and survivability needed by modern, dual-mission aircraft, while requiring only half the maintenance man-hours of the aircraft it is replacing. The AV-8B, which is replacing both the AV-8A/C and A-4, will enhance close air support for ground combat commanders during all phases of amphibious and beachhead operations. These gains come from the AV-8B's rapid and deadly accurate responsiveness, basing flexibility, and complete compatibility with the Marine Air Command and Control System. The CH-53E markedly improves ground combat maneuverability and logistic support.

The Maritime Prepositioning Ships (MPS) and Norway prepositioning programs complement the improved deployment capabilities of our amphibious force. Each of the three MPS squadrons will carry enough equipment and combat supplies to support a 16,500-man Marine Air-Ground Task Force for 30 days. The ships are stationed in locations from which they could sail to trouble spots on short notice, thereby enhancing the rapid deployability of our forces in a crisis. Both programs have yielded significant improvements in Marine Corps force projection that expand strategic options, reduce response times, and capitalize on modern technologies.

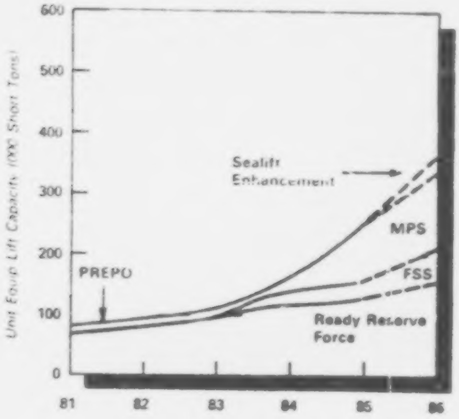
Strategic Mobility Forces

Our aggregate strategic airlift capacity has risen by about 25 percent over FY 1980-86. The C-5 aircraft fleet is being expanded and older versions are being equipped with new wings; our C-141s have been stretched and given an aerial-refueling capability. Funding through FY 1985 will bring the KC-10 inventory up to 40 aircraft.

Most categories of government-controlled shipping show an increase. Strategic sealift surge capability has increased with the expansion of the Ready Reserve Force and the addition to the inventory of various classes of maritime prepositioning ships. Our sealift surge capability has roughly tripled over FY 1980-86, as shown in Figure 24.

FIGURE 24

DoD-Controlled Sealift Surge Capacity



Legend

RRF = Ready Reserve Force
PREPO = Prepositioning Ships
FSS = Fast Sealift Ships
MPS = Maritime Prepositioning Ships

Tactical Command, Control, and Communications

Each Service has made significant progress in improving its tactical C^3 capabilities. The Army is adding new field communications systems and improving the efficiency of its signal battalions. The Air Force has increased both the number of command and control aircraft and the number of strategic command and control centers and radar sites. The Navy has more than tripled the number of shipboard satellite communications terminals and increased its shore-based satellite terminals fivefold. The Marine Corps and Army have jointly developed and are fielding a position locating and reporting system that provides real-time data on the location of tactical units.

There have been major C^3 improvements as a result of joint training. The Warrior Preparation Center at Ramstein Air Force Base in Germany is providing commanders with an opportunity to gain force employment experience in a European C^3 arena. This Army and Air Force simulation effort has enhanced the ability of our forces to conduct joint operations.

Special Operations Forces

The unique capabilities provided by Special Operations Forces (SOF) extend across the entire spectrum of conflict. We have built up here as well, with more improvements included in our current five-year program. For example, growth in Army Special Operations Forces includes the activation of a Ranger regimental headquarters, a third Ranger battalion, and a fourth special forces group, along with the establishment of the First Special Operations Command. The Air Force has increased its SOF in-flight refueling capability by 84 percent.

VI. SUMMARY

We have seen that military capability is a complex entity, consisting in the DoD lexicon of the four pillars of readiness, sustainability, modernization, and force structure.

The increased funding for defense over the past five years has provided a large payoff in improved military capability.

For readiness:

- o Vastly improved personnel readiness, evidenced by more and much higher quality people and better training.
- o Significantly improved materiel readiness, evidenced by improved mission capable rates, lower depot maintenance backlogs, and increased inventories of spares and repair parts.

For sustainability:

- o Munitions stockpile increases ranging from 50 percent to more than 200 percent improvement over the FY 1981 posture.
- o Increases in spares and other secondary-item war reserve stocks.
- o Improvements in the size and quality of the Individual Ready Reserve and Standby Reserve.

For modernization:

- o Inventory increases in almost every significant type of combat equipment--armored vehicles, aircraft, ships, missiles, and C^3 systems.

For force structure:

- o Continued expansion toward a 600-ship Navy.
- o Increases in tactical air wings.
- o The formation of four new divisions.

I wish I could say to you today that this is enough, that we can rest on our laurels. Unfortunately, our adversaries have made commensurate and, in some cases, even greater improvements--particularly in the quality of their weaponry. To maintain an acceptable readiness posture, we need to continue investments in spares, depot maintenance, and equipment end-items, and we need to keep up our currently high levels of operational training. If we don't continue to offer competitive pay and bonuses, we will not be able to attract and retain the fine people we need to man our forces. Our sustainability programs have been trimmed to minimum essential levels, and our essential modernization programs must stay on track if we are to retain our technological edge over a constantly improving adversary.

I hope you will support our full FY 1987 budget request so that we can sustain the defense buildup that began five years ago and is now starting to provide an acceptable level of national security.

Mr. **Daniel.** Thank you, Mr. Secretary.

General, would you put chart 9 up again, please

Mr. Secretary, we may give some thought to using this chart as a basis for measuring some of our other readiness components. I just wanted to point that out.

That is a simple and understandable chart to me, and one of our problems, as you very well know, is getting public support for what we are doing. And the main obstacle to that in my opinion is they simply don't understand it. I am not sure that I completely understand what readiness really means. If we can get some charts that are simple like this one, and like you explained it to Mr. Whitehurst, than I think we will be way ahead of the game. So I just wanted to call that to your attention. That might be a good starting point to look at some of our other areas.

Mr. **Taft.** Well, Mr. Chairman, this chart is derived from the MICAF system.

Mr. **Daniel.** Yes sir.

Mr. **Taft.** The MICAF system is applied not to all Army divisions, but to selected representative ones, and we can develop an estimate for the Army as a whole very quickly on that basis.

I believe there is some interest in applying this system to the Marine Corps. It doesn't unfortunately, apply in its present configuration to the Navy or the Air Force.

Mr. **Daniel.** I am sure of that.

Mr. **Taft.** But for those systems we will certainly share with the committee what it now produces for us in the Army.

Mr. **Daniel.** I thank the gentleman.

Last year we had a witness testifying before this subcommittee that talked about a commonsense measurement system. Do you know what I am referring to? And if so, what is the status of that commonsense measuring system now?

Mr. **Taft.** I think the idea of the commonsense measurement system grew out of a request that we originally received from the Senate Armed Services Committee. I think Senator Nunn and Senator Tower asked us a whole series of questions which to them appeared to be the heart of the matter, the common sense of it. Are we stronger or weaker, and so forth.

This committee, the House Armed Services Committee, supplemented that request of the Senate committee with some additional points that it thought should be included, and we included those. We responded to that request last year, and I think it came to be known as the commonsense effort.

We have continued in that the Joint Chiefs have developed over the past 6 months or so essentially an update of that effort in what is called the DOD Military Status Report, which we will be forwarding shortly to the Congress. That is what has become essentially, or what started off as the commonsense approach.

Mr. **Daniel.** Well, you have answered my next question, and I won't ask you about whether any milestones have been established for the completion of that report. But you say it is at hand?

Mr. **Taft.** It is very much at hand. I have seen a draft of it. It has not yet been signed off by the Chiefs themselves, which is where it originates. But as soon as it is, and I am talking more in terms of a week or so, then we will send it to you.

Mr. **Daniel.** Yes, sir.

Mr. Whitehurst.

Mr. Whitehurst. Thank you, Mr. Chairman. I almost used my time up in the questions along the way, but just a couple of things.

Mr. Secretary, the House passed in December a bill making certain changes in the Joint Chiefs of Staff. A bill is pending in the Senate which not only takes the JCS in but also makes some changes in the Defense Department itself. In conjunction with one feature of the House bill was to elevate the position of the CINC's. And I think, as a matter of fact, it was a very wise decision to pull them in closer to the heart of the JCS organization.

Now that aside, is it intended that the CINC's will participate more in resource planning and budget deliberations in the future? With or without whatever the bill language states, is it expected that they will or not?

Mr. Taft. My expectation is, Congressman, that they will participate in future years not really more in a quantitative way, but more effectively than they have in the past. I think you probably know we have greatly increased their participation in the process in the last 2 years.

Mr. Whitehurst. As a matter of fact, they were here in December and we had breakfast with them before they were going to meet with you all. And I rejoice at this development. I think it is very important. I am delighted to see it.

Mr. Taft. I have been a big backer of it. And what I have tried to do is to make sure that they are included throughout the process—it is difficult when they are not here in Washington to keep them up with the budget scrub at the end of the year when General Roger is fond of saying the real decisions really get made, but we try to do that and to keep them engaged, get their views in to me as we make the program decisions, the budget decisions that affect them. And they have been doing that.

One of the things that I have tried to do to make their participation more effective is to assure that the services develop the information that the CINC's need to participate. There is some suggestion that the CINC's should be in the budget process, maybe have budget staffs themselves and participate directly. I think that would be a mistake. What I have tried to do is to say the CINC participates and the service staff has to support him. But the basic budget staff work should be done back here to provide the CINC with everything he needs to discuss issues of interest to him.

Mr. Whitehurst. What has been the reaction of the CINC's to this?

Mr. Taft. It has been very favorable. I can't really give you their views with the same credibility that they could give them to you, and you ought to ask them. What they tell me is that they like it the way it is. They feel that they have a fair chance to play. And if they don't, we review it every year. I asked them what was wrong last year and what should [illegible] change for next year. And we have made changes each [illegible] respond to their concerns. That is I think the way we [illegible]

Mr. Whitehurst. [illegible] expect sometime before the year is out they will be in town again and we will have another opportunity to meet with them. We will do that, as a matter of fact, it is a good idea.

Just one last question. What assurance do military managers have that the systems that they use have been validated and, to the extent possible, that they accurately represent military operational conditions?

Mr. TAFT. I am not sure I fully understand the thrust of the question.

Mr. WHITEHURST. In other words, the system that we are using, like these charts that we have just walked through, is it really a valid chart? We measure, for example, the Guard and Reserve Forces against the threat itself. Are you satisfied that the formula that is used is a credible one?

Mr. TAFT. I thought you might be asking about whether we are satisfied that the weapons themselves will work.

Mr. WHITEHURST. Oh, no. That is a different question.

Mr. TAFT. Yes, that is a testing question, like determining mean time between failure, and so on and so forth.

But as to how the models work, if I grasp the intent you have——

Mr. WHITEHURST. Yes, sir.

Mr. TAFT. Basically, a model is as good as what you put into it. The more you put into it, the greater level of detail, the more detail you will get back. Some of the models that we have, that we have developed, are very good, but they are really at a fairly high level because it is very expensive to build a model that will tell you what is going on at the unit level, and much more so that would tell you what is going on when units are interoperating with other units and how well they do. Mostly, I think we have stuck to the division level, but we have pretty high confidence in our games at the degree of detail.

Mr. WHITEHURST. Well, I would just say this. The brief visit that I made to the National Training Center, the day I was there and the operations I saw being exercised were very impressive. Very much so. And indeed, the conversations I had with the commanding officer, who had brought his unit from Georgia, and indeed with the men driving the tanks, there was great enthusiasm for this type of soldiering. They believed, indeed, that it was the next best thing to live combat with an adversary.

Mr. TAFT. Well, we think that out there at the National Military Training Center, if anything, the troops get a little bit tougher assignment than they would actually get. Because as I am sure you were told when you were out there we think that is the best Soviet force in the world.

Mr. WHITEHURST. And he probably wins. Let's hope it doesn't happen in real—they have trained so well against them that they will beat the real article if they go up against them.

Thank you very much.

Mr. DANIEL. Mr. Martin.

Mr. MARTIN. Thank you.

Mr. Secretary, referring to chart 11 and the narrative that you had with that concerning sealift surge capacity, maritime pre-positioning of ships, you say you will provide three squadrons of depot ships, each loaded with equipment and supplies for 16,500 men, and all eight SL-7 fast sealift ships will be delivered by the end of the period and our Ready Reserve, or whatever.

Could you explain for me, how SL-7 fast sealift ships, are distinguished, from the depot ships?

Mr. **Taft**. From the depot ships?

Mr. **Martin**. Right.

Mr. **Taft**. Yes, indeed.

Mr. **Martin**. I just don't understand what they do. Do they augment the pre-positioned depot ships we have or is it for other contingencies? I would just like to be educated on that.

Mr. **Taft**. The fast sealift ships are based here and could move units anywhere. The depot ships are over in the Indian Ocean, at Diego Garcia, and there are some in the Atlantic. They could be used more quickly in the area where they are located.

Mr. **Martin**. That is basically where they all are, the ones we are talking about pre-positioning——

Mr. **Taft**. I think we will ultimately have three MPS groups.

Mr. **Martin**. But that is to augment, these SL-7 ships are to augment the pre-positioning and to give us more flexibility for any other place other than the Indian Ocean?

Mr. **Taft**. That is correct.

Mr. **Martin**. And a related subject, but this doesn't float. Could you bring us up to date on the POMCUS and how we are doing there? Are we where we ought to be? Is General Rogers satisfied, and all of our predeployed stuff on the ground?

Mr. **Taft**. General Rogers is like the Secretary of Defense, and this committee; he is never satisfied.

Mr. **Martin**. From your perception, how are we doing with POMCUS?

Mr. **Taft**. And I hope he never is, and we never will be.

But he is getting his POMCUS in position. I believe we are gradually moving sets five and six in now.

Mr. **Martin**. Are they on the schedule that we kind of set?

Mr. **Taft**. They are on the schedule the committee has approved.

Mr. **Martin**. Thank you very much, Mr. Secretary, I appreciate it.

Mr. **Daniel**. Mr. Kasich.

Mr. **Kasich**. Mr. Chairman, I have no questions, other than to just follow up on your line and to compliment Secretary Taft for his interest in Special Forces and their capability, and thus readiness, and I hope that we can make great progress. I have asked the chairman, through the Procurement Subcommittee, to look at what the service requests are in terms of improving their readiness, and I appreciate your commitment.

Mr. **Daniel**. Mr. Secretary, I wonder if you could update the charts that you have shown us to reflect what happens when you implement the 1986 sequestering. If you do that, then I think we will be in a little better position to gauge or judge what we have to do with 1987. It would be helpful if that could be done.

Mr. **Taft**. Yes; we can do that. That was just a question of making sure that we understood the effects of those adjustments.

Mr. **Daniel**. Yes, sir.

Mr. **Taft**. Unfortunately, it is not clear to us in every case how those adjustments which just went into effect last week, as you know, and which we calculated only 2 months ago will affect all of these different things.

Mr. DANIEL. Yes, sir; I understand that.

Mr. TAFT. But we will try to follow them as much as we can.

Mr. DANIEL. At the appropriate time I wish that you would do that for us. At the time when it can be done.

I know that you are very much aware of this, but I want to state it once again. Let me say at the outset I don't think this is a Chicken Little year. I don't think the sky is falling, but it is going to be shaking. If Gramm-Rudman is not in place, which my own judgment is it will not be, we are going to have to make the cuts ourselves, as we should have done initially, and Gramm-Rudman would never have been necessary. But I think the point that I want to make is, let's make sure that if we do have to go this route that readiness is considered along with everything else insofar as cuts are concerned. We know that is a very attractive area for everybody to go at first because that is where you really save the money.

But we were just talking here a moment ago. If we have to take the approach that is presently being discussed, within a year we will not have an Army unit that is above a C-3 preparedness rating. So I hope that then the time comes, whatever has to be done we will make sure the readiness gets its proportionate share of the budget.

Now I know you share that feeling, but I just wanted to put it on the record once again. Because it can be devastating.

Mr. TAFT. We will work with you, and I fully share your feeling. I think particularly this is true in the Gramm-Rudman environment, which has focused on the outlays. And as you know, the readiness money tends to outlay faster than the procurement money, so it is much more attractive to the budget-cutters for that reason. And we need to resist that.

Mr. DANIEL. Mr. Hutto, do you have any questions at this point.

Mr. HUTTO. Yes, Mr. Chairman. Thank you very much.

First, I want to thank Secretary Taft for his genuine concern about readiness. I think this has been exemplified. I know that the chairman and I were deeply involved in a matter with you and that certainly impacted on readiness, and I want to thank you for your interest in this area.

You state that the Department is doing all it can to develop better measures of readiness and military capabilities, but that Congress should be prepared to wait a considerable time for results. As you are aware, Congress has been waiting for results since 1978 with very little to show for it.

How much longer do you believe that we will have to wait for the Department to make tangible progress in this area that would be relevant to our deliberations on the subject?

Mr. TAFT. Well, as I indicated, we are going to be sharing with you all of the progress that we make as we make it. The MICAF system, for example, is one from which we will be sharing information with you. It is a substantial improvement over anything that we had before to measure the things that it measures, and it is here.

Mr. HUTTO. In its report to the subcommittee, GAO indicated that there is currently no focal point for coordinating DOD efforts to improve its ability to measure ready and military capability. Do you think that such a focal point is needed? And if so, who should perform the coordination function?

Mr. TAFT. My response, Congressman, is I do think that such a focal point is needed, but I think we have one in the committee that we have formed, which is a joint committee headed by OSD's Office of Program Analysis and Evaluation and the Office of the Joint Chiefs of Staff. General Nelson here is the Joint Chiefs of Staff representative and Mr. Roll, who is our Deputy Director of PA&E, is the other cochair. Their assignment is precisely that: To be the focal point to review our progress and efforts in this area.

Mr. HUTTO. Some of these questions we need to get on the record. Mr. Secretary, in its report to the committee—still on the subject of the GAO—GAO questions the validity of many of the systems being used by DOD of capability assessment. Is there an approval process, within the Department, of the services that evaluates the methodology and cost effectiveness of these systems? If not, do you believe that such an approval process should be established?

Mr. TAFT. Well, this committee has that responsibility. I would say that I think the principal problem that the GAO report was aiming at, or was somewhat mischaracterizing is that we have used some systems to measure things that they weren't calculated to measure. This is particularly true of the UNITREP system. It is true that it is a waste of money to use a system to measure something that it doesn't measure very well. But that doesn't mean that it is a waste of money to use the same system on something it does measure well.

As I said in my statement on the UNITREP, which is the focus of the GAO report, a great deal of it, it was abused; it was thought to mean more than it really meant. But it is a useful tool for some purposes, and we should use it only for those purposes and not for others.

Mr. HUTTO. OK. Thank you.

Mr. Secretary, the charter of the new JCS Strategic Plans and Resource Analysis Agency, which was created by the Secretary of Defense at the request of Congress, provides that this organization is to analyze new DOD program and budget proposals' impact on U.S. warfighting capability. Is it intended that in fulfilling these responsibilities SPRAA will take a more active role in assessing capability and influencing budget priorities, and more cost effectively provide needed capability improvements? If so, when should this transition take place? What steps are being taken to assure that the agency can meet its objectives?

Mr. TAFT. I don't quite recognize SPRAA's charter in the description that you give. My understanding of the SPRAA organization—and I have been a great supporter of it—is that it is meant to advise the Chairman of the Joint Chiefs of Staff, not the Joint Chiefs. It doesn't work for them, it works for the Chairman in his role as a member of the Defense Resources Board. That is, it prepares him for his participation in the Defense guidance, the defense program review, and the budget review. And it has been extremely helpful to him in that connection.

I think the overall assessment of performance or evaluation of systems, and things of that sort, is really a much larger job that is done in OSD or in the services themselves; or if it is operational, in the Office of the Joint Chiefs of Staff by other staff members.

Mr. HUTTO. I am glad to get your comments on that.

Mr. Chairman, one more question if I may.

Mr. Secretary, the JCS and the Joint Analysis Directorate, although not directly responsbile for any of the major recent capability assessment activities, has recently initiated a number of initiatives in this area. Is JAD expected to have an increased role in this area? What is the relationship between the Joint Analysis Diectorate and SPRAA, and between these activities and the JCS operational directorates? Maybe you can enlighten us a little on that.

Mr. TAFT. Well, my understanding is, and I would like to elaborate if I could, maybe even have the Chairman write an answer since they work for him—they both work for him—to the committee exactly as to how he sees it. But the Joint Analysis Directorate, as I understand it, works for the Joint Chiefs as a whole, as part of the OJCS. And it is there to do some of the analysis that we were referring to in our earlier discussion of the operational capabilities of particular forces.

But I would like to have the Chairman supplement how he sees the division of the work, in addition to my answer.

[The following information was received for the record:]

JAD is responsible to the JCS: for conducting studies, analyses, net assessment, and evaluations of military forces, plans, and strategies; for conducting joint war games and interagency politico-military simulations; and for developing and improving analytical models, techniques, and procedures used in studies and analyses. In addition, it is chartered to define and provide the analytic tools to the unified and specified commands to improve the quality and timeliness of war plans development and evaluation; and to define analytic requirements for the Joint Operations Planning and Execution System. JAD is tasked for warfighting analysis by the Director, Joint Staff and OJCS Operational Directorates. SPRAA, as part of the OJCS receives JAD force-on-force analysis in support of their mission to evaluate military programs and resource allocation. Major JAD assessments include: an annual dynamic evaluation of nuclear war plans and the Total Force Capability Assessment (TFCA), a conventional global war game. Both support the Joint Strategic Planning System. JAD has instituted several recent initiatives in the capability assessment area which are principally designed to support the arms control negotiations process and the SPRAA requirement. JAD's role will continue to expand in the capability assessment area.

SPRAA coordinates and conducts the Chairman's preparation for rendering military advice to the Defense Resources Board with regard to the defense budget and program. Additionally, SPRAA is the OJCS focal point for all resource implications in joint planning issues considered by the JCS. It's mission is to assist the JCS in fulfilling their statutory responsibilities to review the major material and personnel requirements of the Armed Forces in accordance with strategic and logistic plans. In so doing, SPRAA provides analyses and recommendations concerning the impact of program and budget proposals upon warfighting capability. SPRAA's capability is new but growing satisfactorily. For instance, a sophisticated modeling methodology has been under development for two years as a joint JAD/SPRAA venture. Output from this effort will greatly enhance capability and will begin to be effective this year. SPRAA has rightly become the central point of OJCS contact for the CINCs on budget and programmatic issues. Finally, SPRAA serves as the OJCS focal point for military requirements and the acquisition process (except for C3). As such, SPRAA is the major OJCS staff agency involved in the DSARC process and serves as the nucleus for the Secretariat of the JRMB. In all of this, SPRAA has assumed a very active and rapidly growing role in assessing capabilities and influencing budget and programming priorities. SPRAA is supervised and guided by the DJS, JCA and the CJCS to ensure it continues to grow to meet the goals of its charter.

Mr. HUTTO. Thank you very much.

Thank you, Mr. Chairman.

Mr. **Daniel**. Any other member have a question? If not, Dr. West. No questions.

I guess I was going to say that maybe you were disappointed at this turnout today, but I don't think that is a reflection of the interest that this subcommittee has in readiness. I might also add that this is the most members that I have seen at any hearing that I have attended this year. We had eight subcommittees going at one time recently, and several of the members were on the same one. You know why this situation pertains, and I am not going to apologize for the absence of these members, but simply to tell you that we have to spread ourselves awful thin, as you very well know.

Mr. **Taft**. Mr. Chairman, it has been a pleasure for me to appear before you. And if any of the members who were unable to be here have questions for the record along with the others, we will be glad to answer them or to work with the committee in any way it would like, sir.

Mr. **Daniel**. Thank you, sir.

I would like to close the meeting with this quote from a Chinese general and strategist in the 6th century B.C.: "Don't worry about your beard if your head is about to be taken." [Laughter.]

Mr. **Taft**. This is very ominous, Mr. Chairman. [Laughter.]

Mr. **Daniel**. The subcommittee will stand in recess until 2 o'clock tomorrow.

[Whereupon, at 3:15 p.m., the subcommittee was recessed, to reconvene at 2 p.m., Wednesday, March 12, 1986.]

ARMY/AIR FORCE EFFORTS TO MEASURE READINESS AND MILITARY CAPABILITY

House of Representatives,
Committee on Armed Services,
Readiness Subcommittee,
Washington, DC, Wednesday, March 12, 1986.

The subcommittee met, pursuant to call, at 10 a.m., in room 2123, Rayburn House Office Building, Hon. Earl Hutto presiding.

STATEMENT OF HON. EARL HUTTO, A REPRESENTATIVE FROM FLORIDA

Mr. Hutto. The Subcommittee on Readiness will please come to order. This afternoon the subcommittee concludes its hearings on Department of Defense efforts to improve its ability to measure readiness and military capability with testimony from Army and Air Force witnesses.

We will start off today's hearing with Gen. Carl Vuono, Deputy Chief of Staff for Operations and Plans, U.S. Army. General Vuono, we are glad to have you back again and look forward to your testimony.

Our Air Force witnesses a little later will be Lt. Gen. Leo Marquez, Deputy Chief of Staff for Logistics and Engineering, and Maj. Gen. E.H. Fischer, Assistant Deputy Chief of Staff for Plans and Operations.

As the members are aware, General Marquez is a veteran of these readiness drills. General Fischer, I know that this is your first appearance before the subcommittee, but your reputation precedes you and we look forward, also, to your testimony.

We did not plan this sequence of witnesses when we scheduled these hearings and incidentally, our chairman, as you note, is unable to be with us this afternoon, but I am glad that it worked out this way. We have saved the experts for last, and I say this because the GAO Report indicates that the Army and Air Force have made the most progress in recent years in attempting to measure readiness and military capability and using this data to make budget decisions.

Equally important is the commitment of these services to aggressively pursue various measurement approaches and adds a great deal to a larger system of analysis.

Although we are gratified by this progress, we are troubled by the fact that while DOD analysis is on the threshold of the space age, congressional capability remains in the stone age.

One of the major purposes of these hearings is to cement a partnership with DOD and spur the development of a better measurement system for Congress to track military capability and relate it to our budget decisions.

We haven't made much progress since Congress began this endeavor in 1978, and we can't wait another 8 years for tangible results. I recognize that this is a difficult task, but these are difficult times. They promise to be even more difficult if your allies in Congress lack the tools to defend the defense request or evaluate alternative budget strategies.

But working together, I am confident that we can come up with the better system that we need to be credible and effective in a time of severe budget constraints, and at this time I would like to recognize the ranking minority member of the Readiness Subcommittee, Mr. Whitehurst.

STATEMENT OF HON. G. WILLIAM WHITEHURST, A REPRESENTATIVE FROM VIRGINIA, RANKING MINORITY MEMBER, READINESS SUBCOMMITTEE

Mr. WHITEHURST. Thank you, Mr. Chairman.

I would like to join the chairman in welcoming our witnesses this afternoon. Of course, like him, I see some familiar faces as well as some new ones. It is good to have General Vuono and General Marquez back, and General Fischer, it is a pleasure to have you here for your first appearance before this subcommittee.

As you gentlemen probably know, today is the fourth hearing the subcommittee has held concerning measurement of readiness and military capabilities. We have received testimony from a variety of witnesses, including representatives from your sister services, from the Deputy Secretary of Defense, private think tanks and the General Accounting Office.

I must tell you I am not terribly encouraged by all of the accumulated information we have received. The only consensus seems to be that we all know that something needs to be done. Unfortunately there is no consensus concerning what must be done, nor how to do it.

Gentlemen, yesterday, I told Secretary Taft that I believe we are reaching the point of extremis. I want to repeat that message for you today. We simply have to get a handle on how to effectively assess and measure the readiness capabilities of our military forces.

I know I don't have to tell you that there are some very significant defense budget decisions looming large on the horizon. Congress must have the best possible information available in order to make the kind of critical decisions we are going to make.

Some effective method of measuring readiness and military capability and relating those results of those measurements to resource allocation decisions is essential to the goal of getting the most for our limited defense dollars.

Enough said. We look forward to your testimony and sincerely hope that you can give us some definitive information regarding measurement of readiness and military capability.

Thank you, Mr. Chairman.

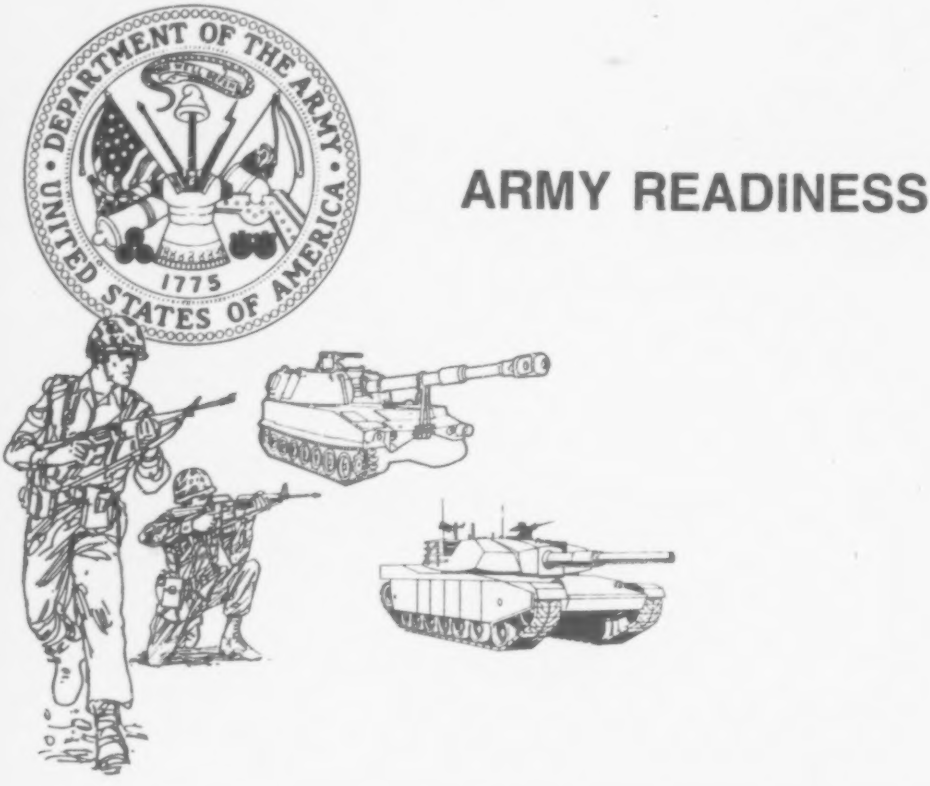
Mr. HUTTO. Very well put, Mr. Whitehurst. Now we will begin with our Army panel, Lieutenant General Vuono, accompanied by

Major General O'Leksy and Brigadier Generals Rozier and Williams. General Vuono, you may proceed as you see fit.

STATEMENT OF LT. GEN. CARL E. VUONO, DEPUTY CHIEF OF STAFF FOR OPERATIONS AND PLANS, DEPARTMENT OF THE ARMY, ACCOMPANIED BY MAJ. GEN. WILLIAM O'LEKSY, BRIG. GEN. JACKSON ROZIER, JR., AND BRIG. GEN. CHARLES WILLIAMS

General VUONO. Mr. Chairman, I have a short briefing that I would like to present to the committee, which I think will put in context what the Army's readiness improvements have been, the responsible stewardship of the Army, and finally, what we think are some ways to improve the way we are going about the readiness business. So I will proceed.

Mr. HUTTO. Yes.

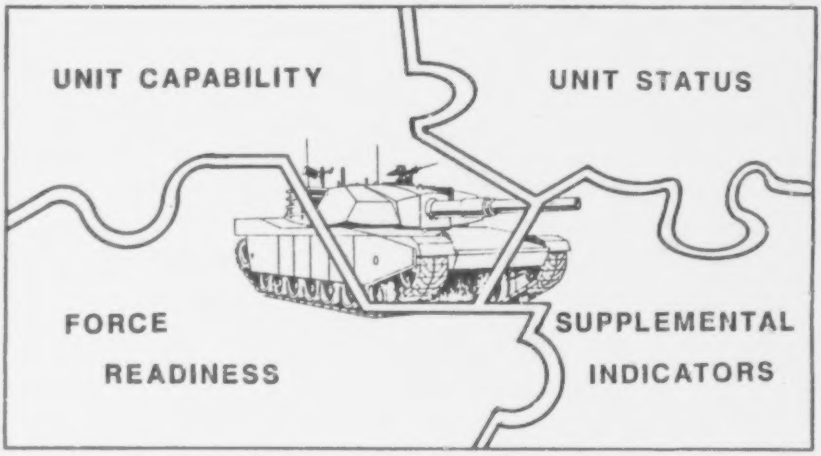


ARMY READINESS

General VUONO. I would like to start by first thanking the committee for this opportunity to testify and for the support that you have given the Army over the years, and particularly your deep concern that we certainly share with you in terms of getting a good handle not only on readiness but also on improved capability, which I think is extremely important.

As you know, the Army traditionally brings over representatives from the personnel and logistics fields and the Director of the O&M budget for any detailed questions you may have. I am delighted to have my colleagues with me here this morning.

REQUIREMENTS

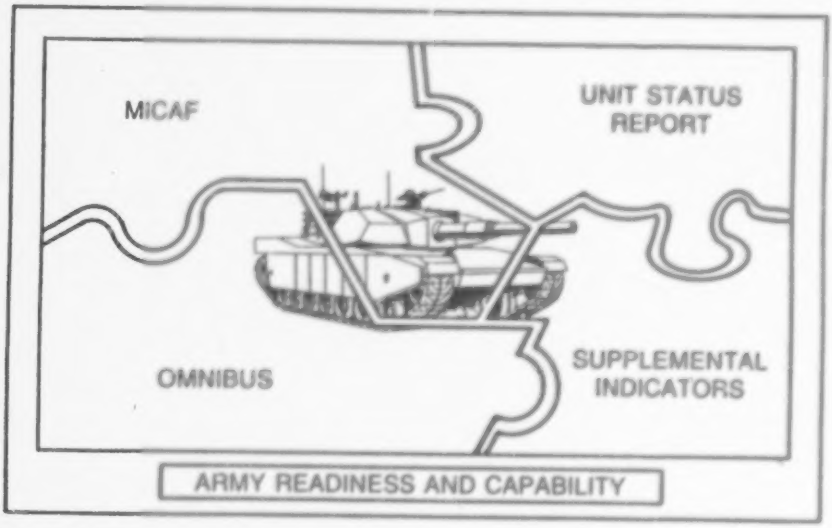


ARMY READINESS AND CAPABILITY

I want to first talk about something that I will keep referring to, what I call the family of tools to measure readiness in the Army. We measure readiness in terms of unit capability against the threat, unit status against the requirement, force readiness as measured by how the force deploys, fights and sustains, and finally some supplemental indicators. Some are intangible such as people, leadership and training, and some others such as modernized equipment are tangible. I will talk about each of these.

ARMY READINESS MANAGEMENT SYSTEM

COMPLEMENTARY FAMILY OF MEASUREMENT TOOLS. . .



. . . A COMPREHENSIVE PICTURE

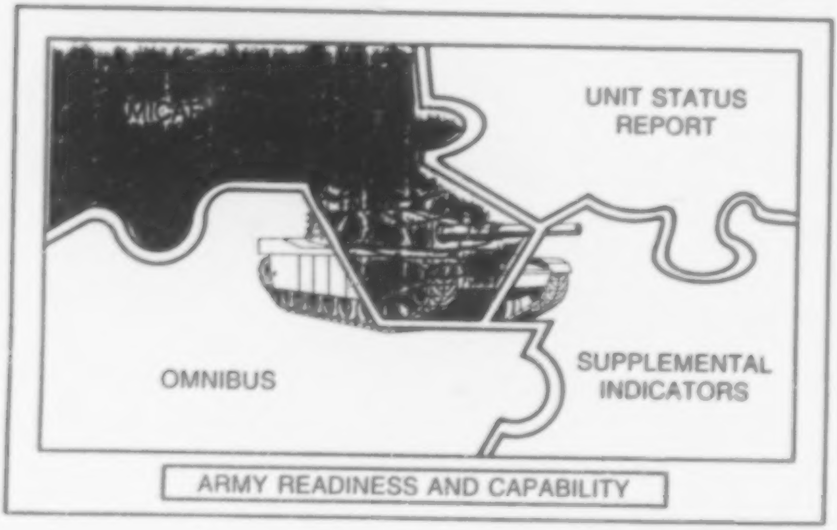
It would be very nice if we could have one tool or one model that could sum up a snapshot of readiness and of capability. We have not yet found that. So what the Army has looked to is a complementary family of measurement tools.

MICAF, to which you were exposed last year for the first time, is the measurement of the improvement in the capability of Army Forces; the USR, the unit status report, which is a snapshot of personnel, equipment and training; OMNIBUS; which is an analytical tool which measures operational capability; and then the supplemental indicators. We think all of these together give a comprehensive picture of our readiness.

I will talk a little about each of the tools and give you an example of how we use them and how we think they assist in getting that overall measurement.

ARMY READINESS MANAGEMENT SYSTEM

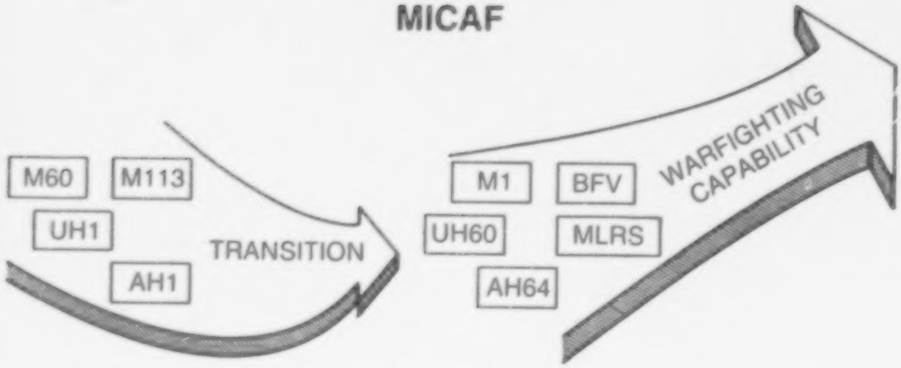
COMPLEMENTARY FAMILY OF MEASUREMENT TOOLS. . .



. . . A COMPREHENSIVE PICTURE

First I will talk about MICAF. Since you were exposed to it last year we have improved it, and I will talk about some of the improvements. First of all let me refresh your memory of what MICAF does. MICAF is a measure of the capability of units.

MICAF



MICAF MODEL
CONSIDERS. . .

- EQUIPMENT
- ENVIRONMENT
- 1988 THREAT

PROVIDES SYSTEMATIC
MEANS TO. . .

- MEASURE
- PROJECT
- ANALYZE

. . .INCREASES IN A UNIT'S
WARFIGHTING CAPABILITY
RESULTING FROM MODERNIZATION

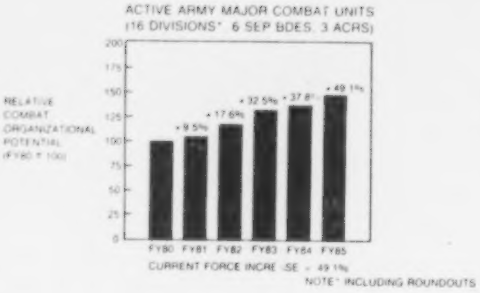
As you introduce new equipment and change organizations, as you transition from M60-A3's and M-113's to Blackhawks, M-1's MLRS' and Apaches, there is a certain capability increase that you can expect to happen. We have tried to measure this.

Now this model that we use considers a number of things. It considers equipment. It takes into account the environment in which we are fighting. It takes into account the Soviet threat. We use, as a base for this threat, the 1988 Soviet threat against the equipment that we are putting on the ground in our organization today.

It measures our capability projected beyond 1986 or 1987 and analyzes those results so that if we have to do some shifting of resources we can do that. We think it measures our war-fighting capability. What it does not measure are some of the intangibles.

The data I am going to show you on the next chart shows the increase in capability that we have realized in both Active and Reserve component units, but it only considers the equipment. I would tell you that in my view that capability increase is even greater when you consider such things as the quality of soldier that we have, the improved leadership, and the better training in our organizations.

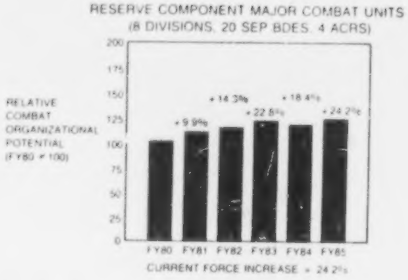
MICAF RESULTS



ACTIVE ARMY MAJOR COMBAT UNITS
(16 DIVISIONS* 6 SEP BDES 3 ACRS)

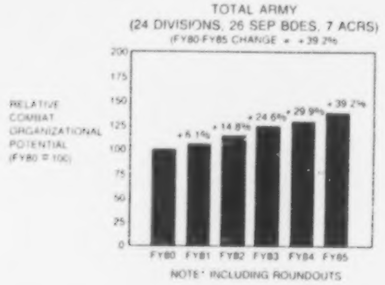
CURRENT FORCE INCREASE = 49.1%

NOTE* INCLUDING ROUNDOUTS



RESERVE COMPONENT MAJOR COMBAT UNITS
(8 DIVISIONS, 20 SEP BDES, 4 ACRS)

CURRENT FORCE INCREASE = 24.2%



TOTAL ARMY
(24 DIVISIONS, 26 SEP BDES, 7 ACRS)
(FY80-FY85 CHANGE = +39.2%)

NOTE* INCLUDING ROUNDOUTS

When we talked to you last year, the model only had the divisions in it. We have improved the model to include separate brigades and the armored calvary regiments of both the Active and Reserve components, and then we roll them all together in the total Army.

You can see that we measured against a baseline in 1980 of 100, so these figures are all drawn from that baseline of 100. What I want to quickly show you is that we have increased the capability of our Active component force by 49.1 percent from 1980, and of the Reserve components, not quite as dramatic an increase but still significant, by 24 percent. When you roll together the total Army of divisions, separate brigades, and ACR's, you see an increase from 1980 to 1985 of 39 percent.

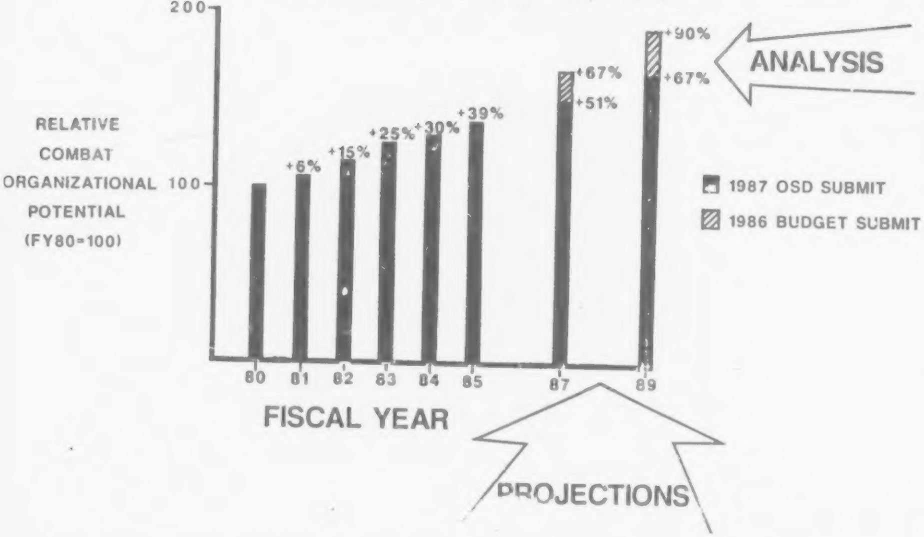
Mr. HUTTO. Excuse me, General. From the Reserve, I note that there is a drop in 1984. What caused that?

General VUONO. One of the Reserve brigade elements became a roundout of one of the Active component divisions, and that caused a dip in 1984 because of where it was in terms of transition. It went back up again in 1985.

That tells you how we see the force being improved from a capability standpoint over a 5-year period.

MICAF--PROJECTIONS AND ANALYSIS

TOTAL ARMY
WARFIGHTING CAPABILITY IMPROVEMENTS
(DIVISIONS, SEP BDES, ACRS)

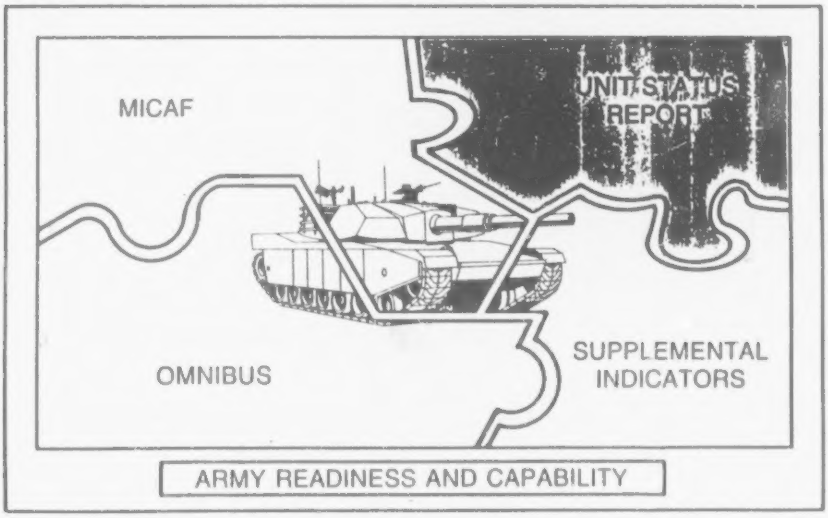


Now here is an example of how we use that tool. You can make, as I said, some projections of this phenomena. What I have done here is to project out to 1987 and 1989. If you take the budget that was submitted in 1986, and had it been fully funded, the increase through 1987 and 1989 would be 67 and 90 percent respectively. Given the budget that was finally approved, you see that you have somewhat of a decrement in capability because of the reduced funding. In 1989, we project that to be 23 percent, and in 1987 we project it to be 16 percent. So we see MICAF, as a means to project and analyze against a funding line that we had expected to get, as opposed to what finally was approved.

I use that as an example of how you can translate the resources into capability.

ARMY READINESS MANAGEMENT SYSTEM

COMPLEMENTARY FAMILY OF MEASUREMENT TOOLS. . .



. . . A COMPREHENSIVE PICTURE

Now, that was capability. The tool that most folks are familiar with is the Unit Status Report, which is much different from MICAF in terms of measuring readiness.

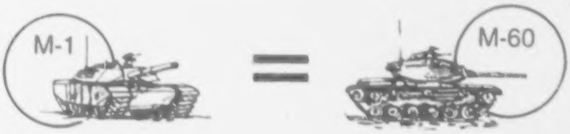
UNIT STATUS REPORT

OPERATIONS TOOL. . .
- CONTINGENCY MISSIONS
- DEPLOYMENT

MANAGEMENT TOOL. . .
- EVALUATE TRENDS
- FLAG PROBLEM AREAS
- PRIORITIZE RESOURCES

OFTEN MISUSED AS A "TOTAL" MEASURE OF ARMY READINESS AND CAPABILITY. . .

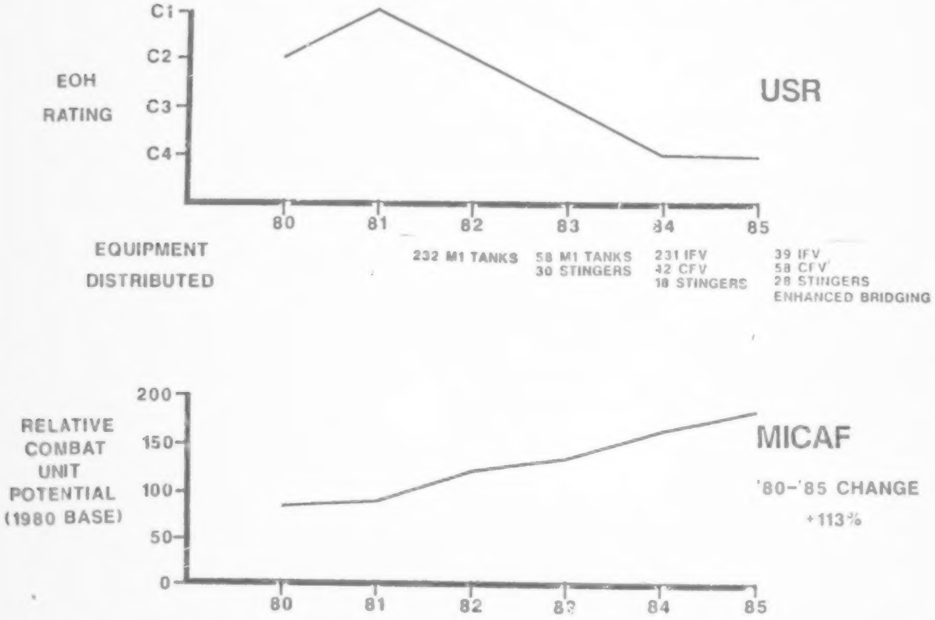
- INDICATORS OF "UNIT" READINESS
- M1 TANK BATTALION CAN HAVE SAME STATUS AS M60 BATTALION



This is a snapshot look at units in terms of personnel, equipment, and training at a point in time. We will talk a little bit about that. What do we use it for? It is an operational tool. It is used as a management tool to evaluate trends, flag certain problem areas and prioritize resources.

We look at the status of our force at the Department of the Army level monthly. The report is as of the 15th of the month, as you know. We look at it each month, and these gentlemen here and myself go through it, make certain judgments and decisions in terms of priorities and shift the need to resources based on that status report. I might add that similar analysis is done at various echelons as the data is compiled from the battalion right on up.

I don't have to tell you that this system is often a misused measure of total readiness. You can have an M-1 battalion that is equal to an M-60 battalion as far as USR is concerned in terms of their C-ratings, but you and I know that the capability associated with the M-1 is much greater than that associated with the M-60. That is why you can't use it as a stand-alone means of getting any kind of a handle on readiness. The next chart will point that out.



MICAF AND UNIT STATUS REPORTING SYSTEM

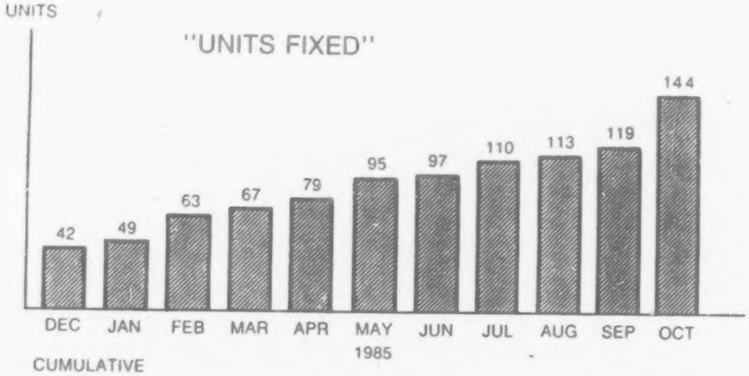
What you see here is a look at one of our divisions that has modernized M-1's, M-2's, Blackhawks, and so forth. From 1980 to 1985 that unit has increased its capability by 113 percent. But as you look at that unit status report in 1986, that snapshot, you will see that at one point in time they would have been considered C-4, or not combat ready. Why was that? Because we had documented the requirement for some equipment in that period of time that was not available. So when we looked at the rules associated with the USR, we found that we had a C-4 rating for that particular division, when at the same time the division, in terms of capability, had improved tremendously.

Now, those are the kinds of examples I think we all know of that explain how some folks look upon the USR to draw certain conclusions that aren't quite valid. I mentioned earlier that we looked at trends and problem areas.

HIGH READINESS—RELATED EQUIPMENT PROJECT

PURPOSE : BETTER MANAGE SCARCE RESOURCES

- IDENTIFY UNITS WITH CRITICAL EQUIPMENT SHORTFALLS
- EVALUATE UNIT'S STATUS AND RESOURCING OPTIONS
- PROCURE AND DISTRIBUTE TO READINESS

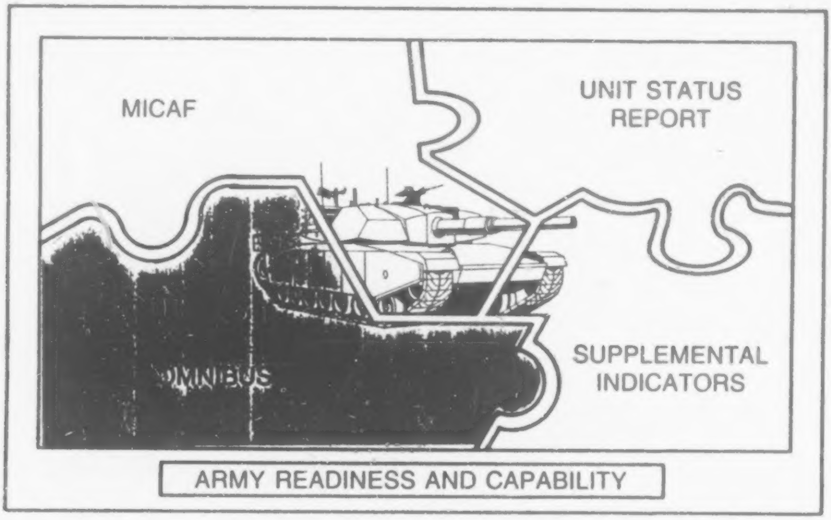


This chart depicts an equipment project that we undertook as a result of analyzing the USR. We found that there were a number of units at C-4 because of equipment shortages. So we dug into it and found that many of the equipment fixes that we could make were not major. We made them against a priority associated with that particular unit in terms of "First to fight, first equipped." In the first stage of that project we had something like 182 units that we identified, and so far we have fixed 144 of those, raising their readiness posture to combat ready.

Phase two of that project has identified 299 more units, small units that we will fix by the end of 1986. I show this as an example of what that report can do for you as a tool in terms of trying to improve readiness.

ARMY READINESS MANAGEMENT SYSTEM

COMPLEMENTARY FAMILY OF MEASUREMENT TOOLS. . .

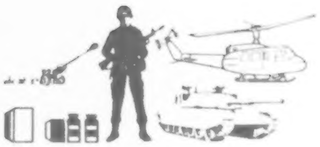


. . . A COMPREHENSIVE PICTURE

OMNIBUS is a force analysis, and a look at the units measured against deployability, ability to fight, and sustainability criteria.

OMNIBUS

TODAY'S ACTUAL FORCE



DEPLOYMENT, COMBAT, AND
SUSTAINMENT SIMULATION

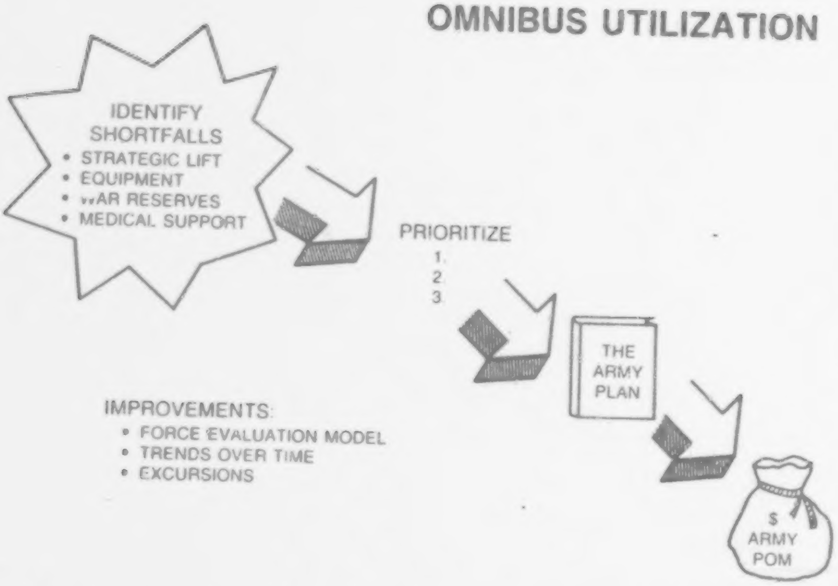
TODAY'S FORCE AS DESIGNED

DEPLOYMENT, COMBAT, AND
SUSTAINMENT SIMULATION

PERFORMANCE DIFFERENCES
DUE TO
FORCE READINESS SHORTFALLS

We compare the total actual force, what it actually has on the ground, against the force as it is designed today. You deploy, fight, and sustain it in the simulation, and you determine what the performance differences are due to force readiness shortfalls. Then you are able to apply priorities and resources against that.

OMNIBUS UTILIZATION



In this case you can identify the shortfall as such things as major equipment shortfalls, war reserves or medical support. For example, would you have enough hospital beds in the theater? Then you make some judgments on that, and then prioritize those deficiences and apply resources through the program years, through the Army plan, and finally resource them at an appropriate level.

Now, what I gave you was a quick snapshot of the family that we use, and I mentioned earlier that we are continually trying to improve these tools, and I just wanted to talk to you about some of the things we are doing.

IMPROVING MEASUREMENT TOOLS

UNIT STATUS REPORT

- MORE REFLECTIVE OF A UNIT'S STATUS
- MORE USEFUL
- EASIER TO USE

MICAF

- EXTENDED ANALYSIS TO ALL MAJOR COMBAT UNITS
- COMBAT MODEL IMPROVED
- CONTINUING VALIDATION
- IMPROVING CS AND CSS ANALYSIS
- EXCURSIONS

OMNIBUS

- NEW THEATER LEVEL MODEL USED
- PROVIDE TRENDS OVER TIME
- EXCURSIONS

In terms of the USR we are trying to do several things. We are trying to make it more reflective of the unit status. We are looking at the Active Component units and Reserve Component units, trying to get a close measurement of what the actual unit status is. We are going to try to make it more useful to the organization. We want to make sure that, for example, we include the roundout aspect of the Active Component unit if it has a roundout unit. We want to make sure that we are taking the opportunity to provide better data so that we can use it in automated modes.

In terms of MICAF, as I mentioned earlier, we extended the analysis to all the major units—divisions, separate brigades and ACR's. We are continuing to improve the model. We will improve the air defense piece of it, the fire support piece and the anti-armor piece, so that the model will give us a better picture of our capability.

We are continuing the validation of MICAF against other models, and we are continuing to validate the input to the model. As you know, one of the Achilles heels in any modeling is combat service support [CSS] analysis, and we are making an effort to improve that. Then, finally, we are working to do a number of encursions.

In OMNIBUS we have a new theater level model which again greatly improved our capability. OMNIBUS will give us a trend over time rather than just a 1-year projection and then there is a number of excursions you can do with OMNIBUS.

Mr. WHITEHURST. General Vuono, does that include, for example, the kind of assessment that you made in the Bradley Fighting Vehicle?

General VUONO. I am sorry. Would you repeat that?

Mr. WHITEHURST. Does that include making the kind of assessments that have been made in the Bradley Fighting Vehicle?

General VUONO. Only in terms of capability that the Bradley would give to those units.

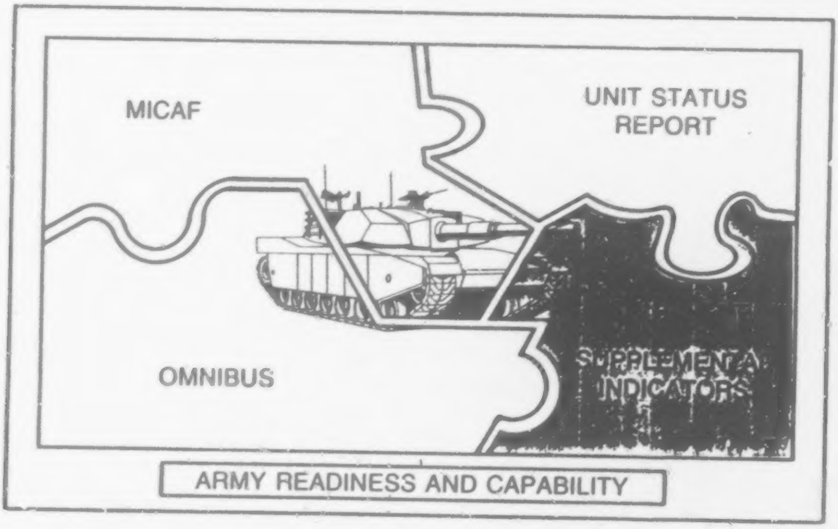
Mr. WHITEHURST. Not just in terms of numbers but the vulnerability of the vehicle.

General VUONO. Not in MICAF.

Mr. WHITEHURST. OK, fine. I will save it for another time then. Thank you.

ARMY READINESS MANAGEMENT SYSTEM

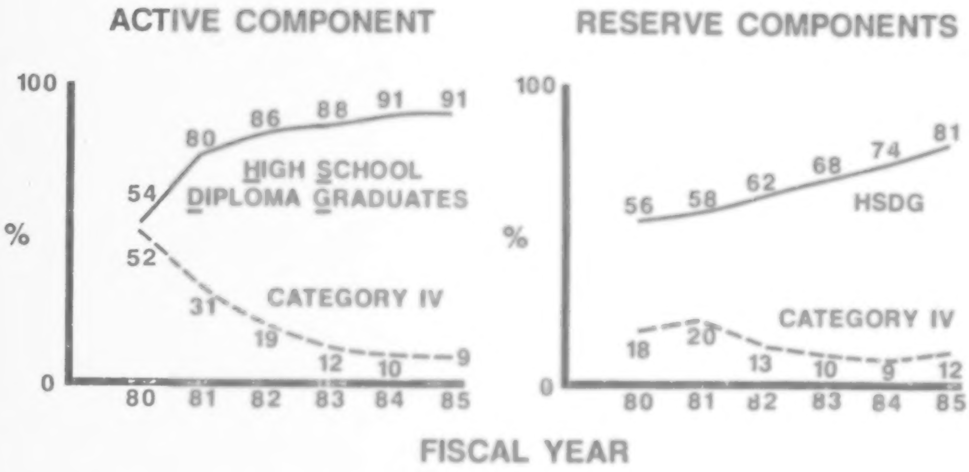
COMPLEMENTARY FAMILY OF MEASUREMENT TOOLS. . .



. . . A COMPREHENSIVE PICTURE

General VUONO. So now I want to talk about some of the supplemental indicators, and we will look at personnel and the like.

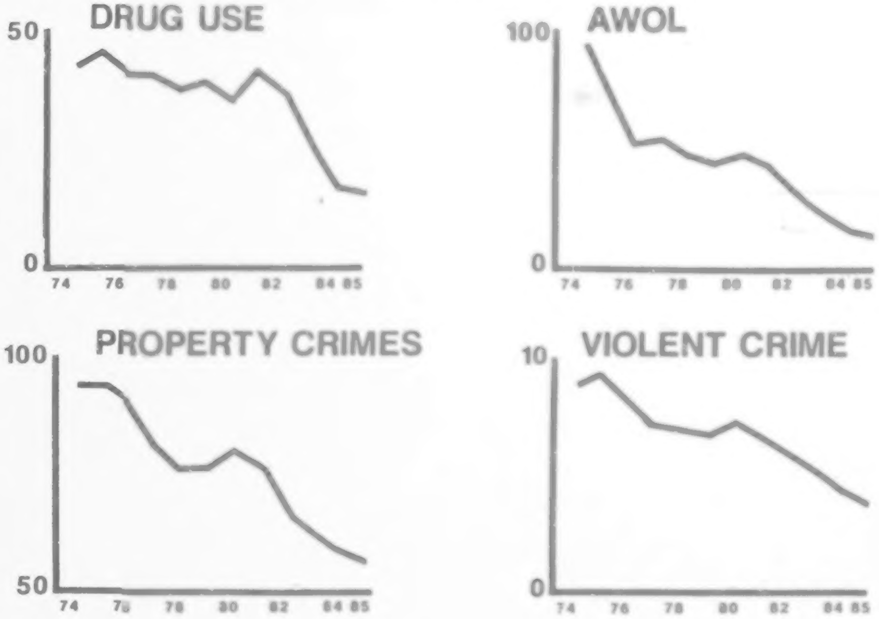
QUALITY SOLDIERS



I thank this committee for the support you have given us to enable us to have this kind of quality soldier in our force. We have 91 percent high school guaduates and the category IV is continuing to drop. That is a marked improvement if we don't have to spend time with problem soldiers. We owe you a debt of thanks.

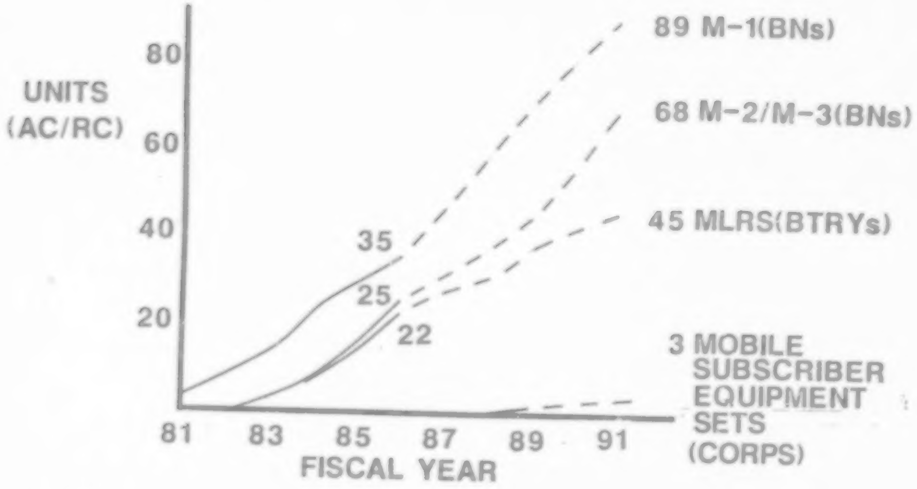
INDISCIPLINE IN THE ARMY

(RATES PER 1000)



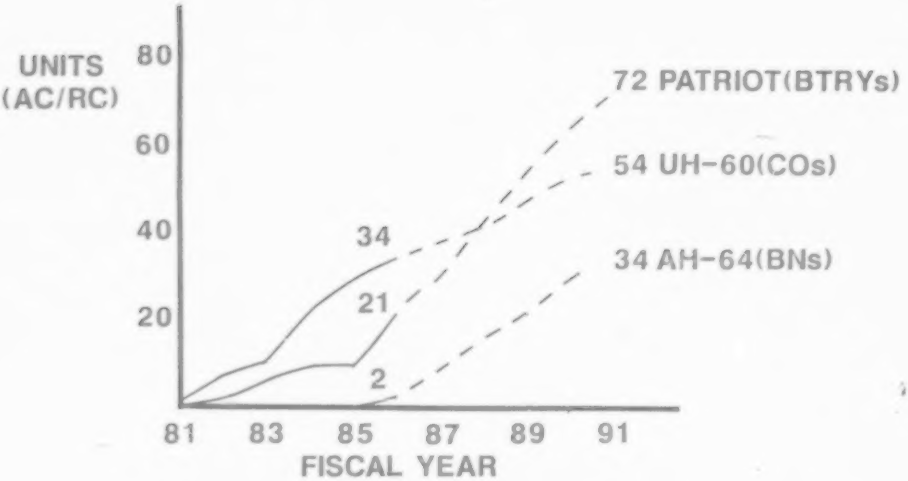
Look at the indiscipline in the Army. Again, a commander doesn't have to spend his time dealing with soldiers who are in these more difficult straights. I would thank you for it and ask for your continued support so that these indicators continue to drop, and the calibre of soldier stays high.

UNIT MODERNIZATION

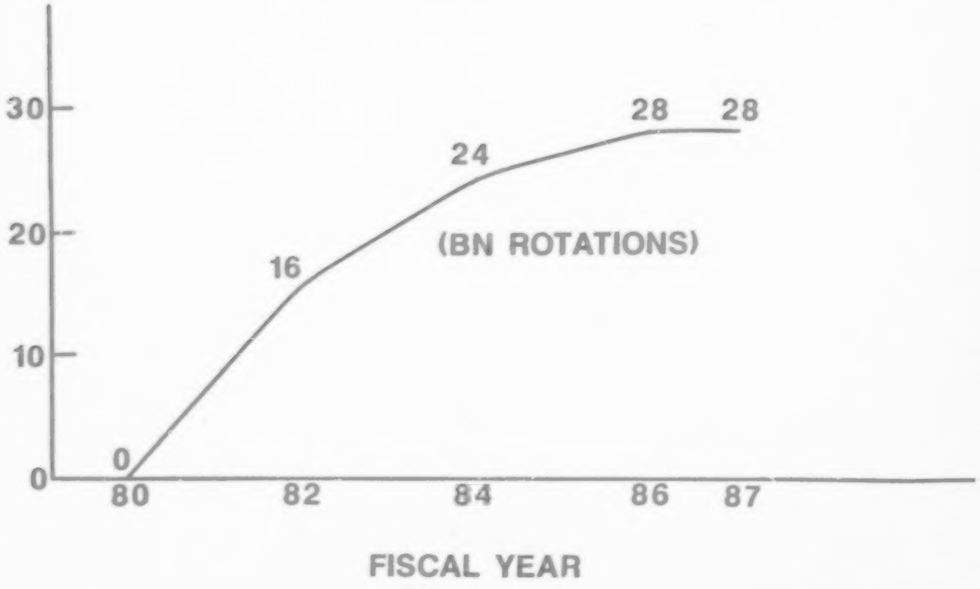


I talk about unit modernization, M-1, M-2's, MLRS'. The solid line is where we are and the dashed line is where we want to go. Patriots, Blackhawks and Apaches: We have come a long way and we have a long way to go. As we continue to field these systems that capability graph that I showed you will increase.

UNIT MODERNIZATION



NATIONAL TRAINING CENTER



Turning to training, which is a vital part of readiness as you very well know, I think that the training of the NTC is as close to real combat as our soldiers and leaders could ever get. There are 28 battalion rotations a year through Fort Irwin, heavy Active and Reserve Component battalions.

In fiscal year 1987 we do want to send two Reserve Component battalions to the NTC. We also send out, well, we just finished, as a matter of fact, one of our light battalion rotations. One of the battalions from the 7th Infantry Division trained in conjunction with a heavy battalion. So you have the synergism of a heavy-light unit working. I can tell you that the standards that are set there, and that the soldiers and leaders try to achieve, have just made a tremendous difference in our force, not just for the unit undergoing the rotation, but the way that spills out into the other battalions when they return to their home station, both for the Active and Reserve Component battalions. We think this is a very important aspect of our training.

SIMULATOR EFFICIENCY

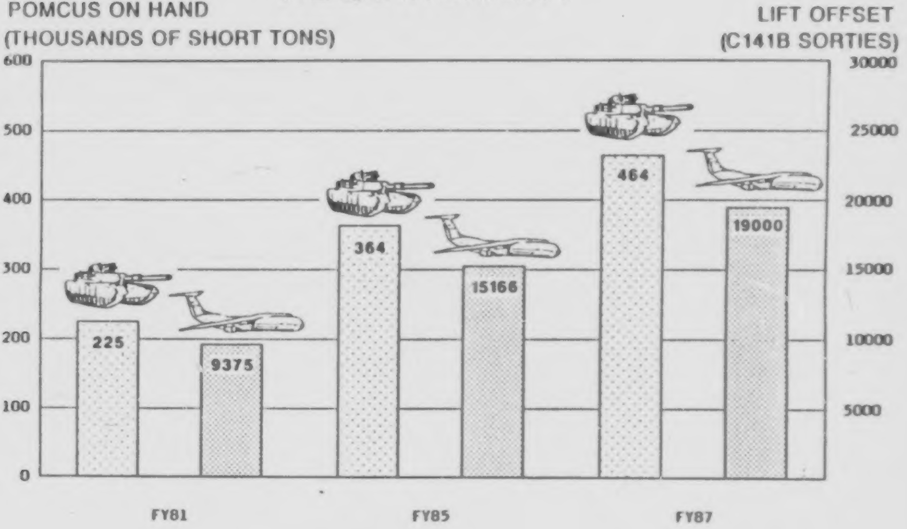
AIRCRAFT	COST OF SIMULATOR	REDUCED COSTS PER YEAR	PAYBACK PERIOD
UH-1	$ 2.5M	$6.1M	.4 YRS
UH-60	$10.6M	$5.2M	2.0 YRS
AH-64	$22.5M	$8.1M	2.8 YRS
AH-1	$15.1M	$2.9M	5.2 YRS

TANK	COST OF SIMULATOR	REDUCED COSTS PER YEAR (AMMUNITION)	PAYBACK PERIOD
105 MM (M60 SERIES & M1)	$2.2M	$.3M	7.3 YRS
120 MM (M1A1)	$2.2M	$1.8M	1.2 YRS

Simulators: We have been using simulators for some time for our helicopters. The Air Force are masters with simulators. We are moving into simulators to a great extent—a high payoff, low dollar cost in terms of payback over a period of time, and, I might add, a tremendous readiness improvement capability for our Reserve

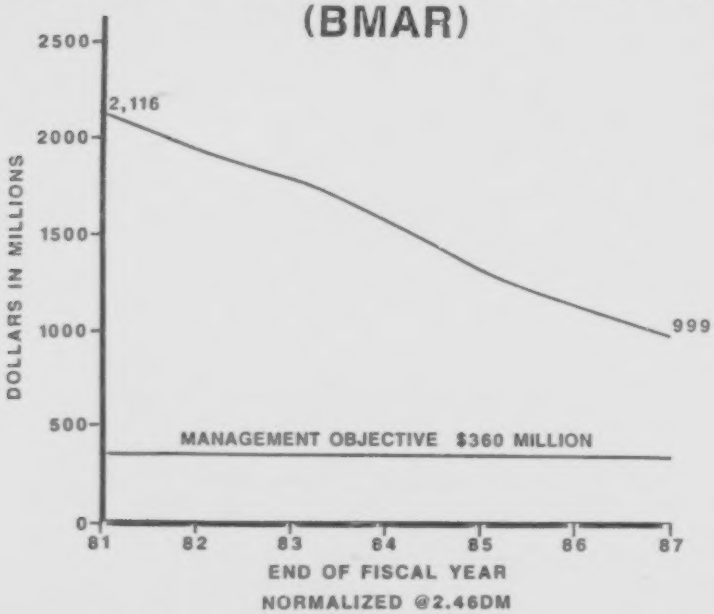
Component, as you put these kinds of ground simulators into our ground training.

POMCUS OFFSET OF STRATEGIC LIFT REQUIREMENT



A little bit about the POMCUS offset: As you know, we are increasing the stockage levels every year to try to get complete sets on the ground. What this chart depicts is, as we increase POMCUS stocks, we are able to offset the lift sorties. We want to continue to strive toward our goal.

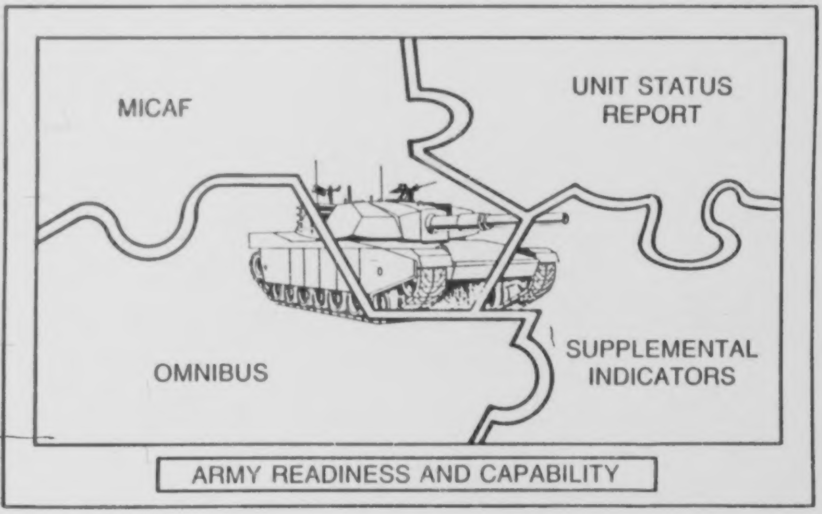
BACKLOG MAINTENANCE AND REPAIR (BMAR)



Backlog of Maintenance And Repair: That has impact in a couple of ways. First of all, as you improve the quality of living and working areas, you improve the quality of life for the soldiers and their families. Quality of life is a readiness issue, in my view. As we strive to continue to drive down that BMAR number, it has a tremendous impact on readiness.

ARMY READINESS MANAGEMENT SYSTEM

COMPLEMENTARY FAMILY OF MEASUREMENT TOOLS. . .



. . . A COMPREHENSIVE PICTURE

I wish we had one model that we could plug into right now and do all the things that we want to do in terms of measuring readiness and applying resources against readiness. We have not yet found that. But what we have found is MICAF, USR, OMNIBUS, and these Supplemental Indicators.

Thank you very much.

PREPARED STATEMENT BY LT. GEN. CARL E. VUONO

OPENING REMARKS

Mr. Chairman, I appreciate this opportunity to appear before your Subcommittee to discuss Army Readiness. Before beginning, I would like to introduce Major General O'Leksy, who represents the Deputy Chief of Staff for Personnel; Brigadier General Rozier, who represents the Deputy Chief of Staff for Logistics; and Brigadier General Williams, who represents the Comptroller of the Army.

As we start these public hearings, I want to acknowledge the outstanding support that Congress has been providing to the Army. Support of the FY 1987 Defense Budget is necessary to protect the current and future combat capability of the Army. Major defense cuts will increase risk and diminish capability. The gains in readiness and real capability the Army has achieved in recent years must be sustained by the support of you and the American people in order to ensure our security in a dangerous world, now and in the future.

The Total Army has made much progress in improving readiness. The Army's capability and readiness have benefited from an improved force structure, realistic and demanding training, more capable equipment, upgraded sustaining capabilities, and improvement of the quality of life for soldiers and their families. Improved deployability has been attained through increases in prepositioned equipment and the lightening of forces. War reserve stocks continue to grow, and the mobilization training base is better supported by improvements in equipment, facilities, and training. To sustain this progress, we need your continued support.

I will speak to the importance of our readiness and modernization programs, and to the danger of not maintaining the momentum of Army programs. I will also cover with you our means for measuring increases in readiness and capability. Before discussing the issue of readiness, though, I want to describe the path the Army has established for moving forward during the remainder of this century, describe the threat, and let you know how we are responding to that threat within the constraints of available resources.

ARMY'S DIRECTION

To defend our national interests, the Total Army — Active, Reserve, National Guard, and Civilian Component — must be prepared for sustained land combat across the conflict spectrum, both today and tomorrow. Anchored on the demands of the present, with a view to the trends and projections for the future, the Army understands where it is and has established a coherent and responsible path to guide its development for the remainder of this century. The doctrine, organizational concepts, and acquisition programs are already in place, and provide a path that orients on specific vectors. These vectors are:

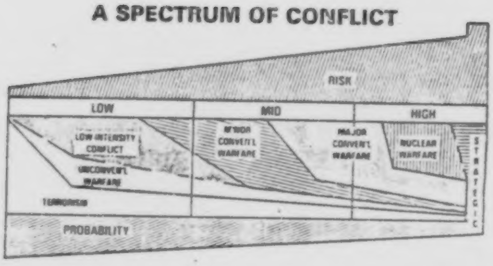
- Provide quality soldiers in the Active and Reserve components.
- Fight and sustain as part of joint and combined forces.
- Field a flexible, sustainable, modernized force to fight across the conflict spectrum.
- Exploit operational and tactical dimensions of AirLand Battle doctrine.
- Develop and exploit high technology and productivity enhancements.
- Improve tactical and strategic deployability.

These vectors provide the means to translate AirLand Battle operational concepts into combat power and chart a course that takes into consideration our potential adversaries, the promise of high technology, and the industrial advantages the U.S. and its allies enjoy. Our current plans, research and development, and modernization agenda will ensure that fielded forces, now and in the future, possess those operational capabilities required to defeat the threat.

THE THREAT

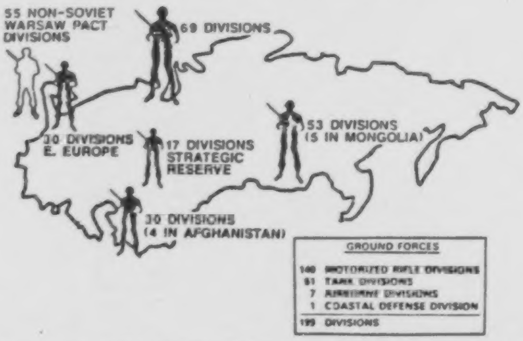
The primary threat to U.S. security today is posed by the Soviet Union. Soviet forces continue to expand, modernize, and deploy increasingly capable weapons systems designed for the entire spectrum of strategic and theater nuclear and conventional conflict. Additionally, non-Soviet Warsaw Pact countries are expanding and upgrading their own forces to support Soviet military objectives. Although war with the Soviet Union and its Warsaw Pact allies could threaten the very survival of the United States, the likelihood of such a conflict today is low. The conflicts most likely to threaten our national security interests are those at the lower end of the spectrum of violence — terrorism and other low to mid-intensity conflicts. Increasingly, regional powers hostile to the United States are building destabilizing, modern military forces which threaten regional power balances and U.S. security interests. Given these complexities, the Army must be prepared to respond to the outbreak of war with the Soviet Union, and at the same time be prepared to meet diverse challenges along the remainder of the spectrum of conflict.

A SPECTRUM OF CONFLICT



The Soviet Union, with its captive allies and proxies, is still — in Churchill's phrase — a land animal. Its ground forces are the dominant branch of service and the other services are designed, in varying degrees, to support offensive operations of this Service. The Soviet Union can capitalize on its unique geographic location to undertake major military operations west into NATO, south toward the Persian Gulf, or east toward Northeast Asia. without having to cross significant water barriers. Clearly, to deter or defeat a threat of this nature, the United States must rely heavilv on landpower.

SOVIET GROUND FORCES

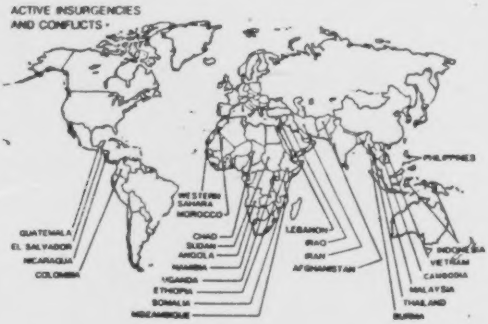

55 NON-SOVIET WARSAW PACT DIVISIONS
69 DIVISIONS
30 DIVISIONS E. EUROPE
17 DIVISIONS STRATEGIC RESERVE
53 DIVISIONS (5 IN MONGOLIA)
30 DIVISIONS (4 IN AFGHANISTAN)
GROUND FORCES
140 MOTORIZED RIFLE DIVISIONS
51 TANK DIVISIONS
7 AIRBORNE DIVISIONS
1 COASTAL DEFENSE DIVISION
199 DIVISIONS

From a national and an Army perspective, nowhere is the Soviet challenge greater than in Europe, the USSR's first out-of-homeland priority. Not only has the Soviet quantitative edge grown, but the quality of Soviet military systems has also improved. The "our quality versus their quantity" argument -- especially for ground systems — is passe. Despite considerable progress in NATO, the military balance continues to deteriorate.

NATO's continued strong reliance for deterrence and defense on non-strategic nuclear systems exists at a time when the Soviets have achieved a decided advantage in the non-strategic nuclear balance. Moreover, the Soviets have, since the mid-1970s, developed a doctrine that emphasizes a conventional, combined-arms offensive, designed to reduce the likelihood and effectiveness of NATO's use of nuclear weapons. Improving NATO's conventional defenses clearly deserve the high priority that is being given them by the United States and the other NATO nations. In a similar vein, we need to improve our abilities to deal with Soviet-inspired attacks in Northeast or Southwest Asia.

While we must focus on mid- and high-intensity conflict — the most dangerous and demanding challenge — recent history suggests that we must also improve our capabilities to deal with low intensity conflicts — the most likely challenge.

First, Central America has emerged as a major concern and new requirement for DOD, and most specifically the Army. Soviet and Cuban adventurism in Central America and the Caribbean basin has elevated the military importance of this region.



Inter and intra state violence — especially on the lower end of the conflict spectrum — has become more pronounced. Terrorism continues to increase and there are, at present, over 20 active insurgencies in the world, more than half of which impact on the U.S., its allies, and other friendly nations. The rise of international terrorism has become an immediate challenge to U.S. interests and our military forces around the world. Because of the publicity such attacks draw, U.S. military personnel and installations likely will continue to be terrorist targets.

In summary, the United States is increasingly threatened on both ends of the conflict spectrum. It must prepare for a dangerous, and intense — albeit less probable — major war with the Soviet Bloc in Europe, Southwest Asia, or Northeast Asia, while at the same time it must improve the Nation's capabilities to contend across the globe with the small-scale — though far more frequent — conflicts that range from terrorism to insurgency.

LANDPOWER

The four very different major conflicts that we have fought in this century have reaffirmed that wars are ultimately fought to control land, people, and resources. Only ground forces exert decisive control over these elements of national power. Furthermore, as essential equivalence in the strategic nuclear arena continues to shift more of the burden of deterrence to conventional forces, landpower assumes additional responsibilities within U.S. national military strategy.

To secure the objectives of national military strategy, the Army — in conjunction with our Allies and the other U.S. Services — must be able to:

o defend North America and deny access by any hostile power to the Western Hemisphere;

o deter or defeat a Warsaw Pact ground-air attack on NATO;

o deter Soviet or Soviet-sponsored aggression in SWA or the Pacific;

o support U.S. allies and friends, especially where those countries are faced with Soviet-sponsored or surrogate aggression;

o deter or inhibit the geographic expansion of Soviet control and other hostile military presence throughout the world.

In accomplishing these objectives, the Army provides the nation with essential capabilities needed to deter wars before they start, to control wars if they do start, and to terminate wars on terms favorable to U.S. interests.

Deployed Army forces are the nation's clearest and most highly valued symbol of commitment. In low intensity conflict, Army lighter and Special Operations Forces — in conjunction with the diplomatic, economic, and intelligence instruments of national power — can deter or defeat threats to our interests. In mid- and high-intensity conflicts, Army forces deter attacks on the U.S., its allies and friends, prevent the precipitate use of nuclear weapons, contribute to escalation control, and are prepared to end conflicts on terms favorable to the United States. Finally, in an era where strategic parity has decreased the credibility of threats to use nuclear weapons, ground forces have taken on an especially important role in maintaining deterrence across the conflict spectrum. They are the ultimate symbol of American will, provide essential options for executing our flexible response strategy, and a deterrent to adventurism by our adversaries.

EVOLUTION OF DOCTRINE AND FORCE DESIGN

To effectively apply landpower requires an operative doctrine and supportive force designs. The Army's AirLand Battle doctrine, as well as joint and alliance warfighting concepts, provide this visualization and guide the development of specific organizational design, materiel, and training initiatives essential to fielding the required combat capabilities. Doctrine establishes the need for balance between near, close and deep operations capabilities that must be built into Army forces. Similarly, doctrine guides the determination of the appropriate mix of combat and support units, and their equipment.

A brief review of the evolution of the Army's doctrine and force design is in order. As operations in the Republic of Viet Nam came to a close, the Army refocused its attention on its commitment to deterrence in Western Europe, the overseas theater of primary concern to the United States. In initiating the Division Restructuring study in 1976, the Army began its first review of doctrine and force design since the Reorganization Objective Army Divisions study of the early 1960s. The catalysts for these initiatives included the following: first, the desire to capture battlefield expertise gained in Viet Nam in helicopter operations and apply it to a high intensity combat environment; second, the need to apply the lessons learned from analysis of the 1973 Middle East War; third, the need to redesign the divisional structure to exploit the capabilities of a new generation of equipment and to counter the significant modernization of Soviet ground forces in the 1960s. The Army republished Field Manual 100-5 in 1976, describing the Active Defense Concept, and finished the Division Restructuring Study in 1978. This study determined that the Army's armored and mechanized combat forces would have to be redesigned in order to cope with the threat both for close operations and the emerging need to conduct deep operations against the second echelon.

In the early 1980's, the Army's basic how-to-fight doctrine, AirLand Battle, was being developed with formal publication of that doctrine in 1982. As the doctrine matured, it became apparent that the corps role in the execution of AirLand Battle required a greater proportion of combat and support forces. This doctrineal evolution coincided with the realization that programed force levels would be constrained for the forseeable future.

In 1983, the Army confronted this challenge by reviewing the balance of tactical forces at all echelons in the Army of Excellence Study. The battlefield capabilities of the corps were enhanced by reallocating aviation, field artillery, air defense and other essential structure from the divisional echelon, relocating and consolidating some administrative and logistical functions at corps, and by improving productivity of many combat service support units. The divisions thereby attained greater tactical agility while retaining their formidable direct combat power, and the corps echelon was strengthened commensurate with AirLand Battle demands.

These efforts addressed not only armored and mechanized forces for mid-and high-intensity conflict, but all forces for use across the entire spectrum of conflict, to include low intensity conflict. The Army of Excellence Study completed the long overdue modernization of the design of the light infantry, airborne, and air assault, and as such redressed past imbalances among heavier and lighter forces.

JOINT FORCE DEVELOPMENT PROCESS

The Army recognizes that wars are fought and won by joint and combined operations. The Joint Force Development Process was initiated in 1984 by a Memorandum of Agreement signed by the Army and Air Force Chiefs of Staff. This process stems from the recognition that the Services do not have sufficient resources to provide everything necessary to support the warfighting CINCs. Cooperation among the Services is intended to obtain the maximum return from the finite resources available. Additionally, it capitalizes on inherent strengths and capabilities of each Service to more efficiently meet warfighting requirements.

JOINT FORCE DEVELOPMENT PROCESS

- ESTABLISHED BY MOA MAY 1984
- ORIGINAL 31 ARMY/AIR FORCE JOINT INITIATIVES EXPANDED TO 35–OVER 50% FULLY IMPLEMENTED
- ARMY, NAVY AND AIR FORCE PARTICIPATE
- DIRECT SUPPORT TO THE WARFIGHTING CINCS
- COMPLEMENT RATHER THAN DUPLICATE CAPABILITIES
- FILL VOIDS IN SERVICE CAPABILITIES
- INCREASE TOTAL FORCE EFFECTIVENESS

The original Army-Air Force Memorandum of Agreement, cosigned by the Chiefs of Staff of the Army and the Air Force, consited of 31 initiatives, and the number has by now increased to 35. Sixteen initiatives have been implemented, and four have been completed.

The Army-Navy Memorandum of Agreement, cosigned by the Deputy Chief of Staff (Logistics), U.S. Army and the Deputy Chief of Naval Operations (Logistics) on 9 July 1985, maintained the momentum of previous initiatives, and added mobility issues for joint resolution. The objective is to achieve a balanced program and capability to ensure strategic sealift ships, cargo offload systems, and theater logistic systems provide the necessary support for combat forces worldwide. The Army and Navy have agreed to work closely to coordinate matters of mutual concern.

Within this framework, the four Joint Force Development Process objectives are:

(1) To improve direct support to the warfighting CINCs. This is the primary focus of the JFDP. CINCs and MACOM commanders have submitted 20 candidate initiatives that we are currently studying.

(2) To provide complementary rather than redundant capabilities. Examples supporting this objective include initiatives related to Air Base Ground Defense, Joint Surveillance and Target Attack Radar System (JSTARS) and Joint Tactical Cruise Missile System (JTACMS).

(3) To fill voids in Services' capabilities. Some examples are the establishing of a Center for Low Intensity Conflict, and development of night combat techniques, and concepts and procedures for countering the heliborne assault threat.

(4) To increase Total Force effectiveness. Initiatives to support this objective include a cross-service Identification Friend or Foe (IFF) system, enhancement of joint suppression of enemy air defense (J-SEAD), and the Precision Location Strike System (PLSS), which provides real-time targeting information from the Air Force direct to Army shooters.

We also recognise that fiscal constraints affect Allied defense budgets. Cooperative armament programs and increased efforts for rationalization, standardization, and interoperability can save billions of dollars, and help cement Alliance solidarity. In recognition of the need to fight and sustain as part of joint and combined forces across the spectrum of conflict in all types of terrain and climate, we are emphasizing joint and combined warfighting concepts and doctrine; improving joint support planning; planning host nation support and the military assistance of other nations; and ensuring multi-service/multi-national use of selected systems. The Joint Surveillance and Target Attack Radar System (JSTARS) and the MK-19 40mm machine gun are multi-service systems. Examples of multi-national systems are the MK-240 machine gun, the Stinger Portable Antiaircraft Missile, the Patriot Tactical Air Defense Missile System, and the Multiple-Launch Rocket System (MLRS).

The combination of a high quality, lean Army and the most extensive peacetime modernization in history focuses attention on the responsible stewardship of resources. The Army's most important resource is its people. Programs that encourage excellence, such as training and quality of life initiatives, are imperative to success on the battlefield. In addition to taking care of the needs of soldiers and families, the Army is pursuing good stewardship through productivity enhancing technology, promoting competition in procurement, and vigorous application of simulation systems. We are campaigning against waste, fraud, and abuse. We are also re-examining equipment acquisition; taking innovative steps in information and resource management; and rationalizing the integration of soldiers, equipment, doctrine, and organizations into enhanced combat power. We are providing more relative combat power within a constrained active end strength by trimming staffs and transferring appropriate missions and capability to the Army Guard and Army Reserve. The Army is providing the leadership necessary to use resources efficiently and effectively.

The Army theme for 1985 was Leadership. This theme served to extend our understanding of leadership and improve our programs to develop leaders. Capturing the thrusts of previous themes — spirit, fitness, excellence, family, and leadership — the Army theme for 1986 is Values. This theme serves to reaffirm our commitment to the values we are sworn to defend as well as the professional and personal values which support the Army way of life. This focus also highlights that the Army's most important asset is its people. Competent leaders and soldiers, steeped in the values that make this nation great, make the difference in war and in peace. Essential elements that contribute to the quality of our force are necessary for success, and must be considered as we enter an increasingly resource constrained environment.

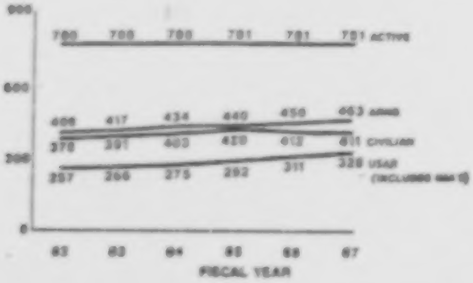
CONSTRAINTS AND RISKS

While doctrine guides the Army in its operations, force design, and training, we are all too aware of the pervasive effects of resource constraints on our program. The Army has sought to make optimum use of constrained manpower and fiscal resources to meet the global challenges presented by the Soviet Union and other potential adversaries. In a time when decreasing resources are causing increased program constraints, the Army is re-examining its programs and seeking areas for economies of scale and effort. On the other hand, it is important to remember that the risk does not necessarily decline as the defense budget declines. Efforts to achieve deficit reduction must be balanced with requirements for national security. It is not prudent to do otherwise.

The Army recognizes the pressures to reduce the Federal deficits and balance the budget, and the resulting competition for defense dollars. Our challenge, then, is to provide the required landpower to meet U.S. security objectives and national commitments. The U.S. is already living with a high-risk landpower force, when considering the threat and our global commitments. As of FY 1986, we will have been authorized to procure only two-thirds of the M1's, Apaches, Blackhawks, Multiple Launch Rocket Systems, and Patriots to reach our procurement objectives, and only one-half of the BFV's. Any reductions in procurement will stretch an already modest rate of Army modernization. Put simply, deep cuts will cause higher levels of risk.

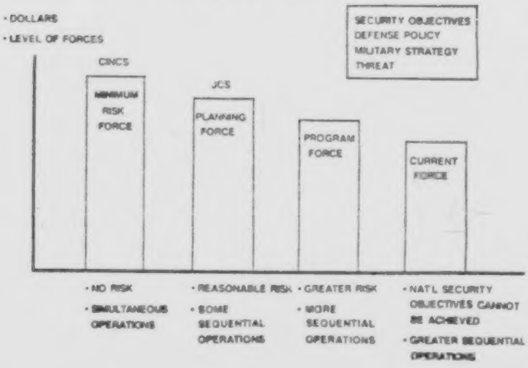
TOTAL ARMY END STRENGTH

(000)



Recognizing constrained resources, the Secretary and Chief of Staff of the Army directed that the Army continue to program for a constant end strength of approximately 781,000 for the Active Component, a slight decline in civilian strength, and only modest increases in the National Guard and Army Reserve. The Army has kept its active end strength constant in order to assure high personnel quality and to assure that we put any manpower savings into combat and combat support capabilities which contribute to deterrence. In addition, the Army has increased reliance on Reserve Component capabilities through enhanced training, significant increases in full-time manning, and equipment modernization.

FORCE SIZING



This force sizing process is an integral part of our efforts of applying limited resources to our national military strategy. Beginning with the minimum risk force requirement and progressing to the current force, one sees an increasingly detailed definition of the force structure and also increasingly restrictive resource guidance. As the resource constraints increase, the forces become progressively smaller, and the amount of risk inherent in strategy execution increases.

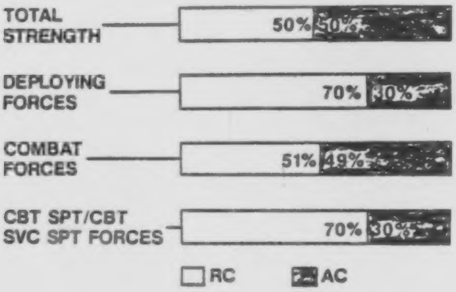
In recognition of the multitude of threats facing the United States, the Army's current program fields a balanced, ready, sustainable, minimum-sized total force which strives to meet our defense needs. As previously noted, deep cuts in the Army program will disrupt this balance and will entail a significant increase in the already considerable level of risk that the United States faces.

FORCE STRUCTURE

In light of the threat and resource constraints, our current force places a premium on readiness and flexible, highly mobile ground and air forces. This current force also relies heavily on ready reserves and greater sequential operations. Most of all, the Army must pursue an appropriate balance between U.S. based and forward deployed forces, between combat and support forces, between active and reserve components, and between types of forces (heavier, lighter and special). This latter category of forces is extremely important to the nation. While Army special operations forces (SOF) —Rangers, Special Forces, psychological operations and civil affairs units, and special operations aviation — have superb utility for low intensity conflict, they also serve as important force multipliers for the

Unified Commanders in mid-and high-intensity conflicts. Along with our light infantry divisions, Army SOF add an important dimension of flexibility to the force structure, giving the United States rapidly-deployable assets for operations across the conflict spectrum. The use of the lighter force may well permit the diffusion of a crisis situation which would otherwise escalate and require deployment of a larger, more costly force.

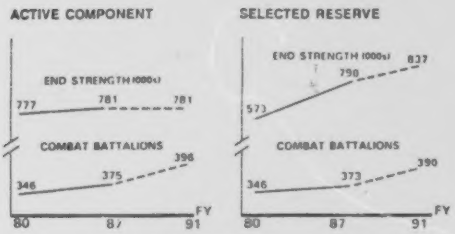
In response to a broadening spectrum of threats, today's Army has been restructured to capitalize on technology and to operate effectively in diverse and distant geographic settings. The Army is organized to employ and sustain the modern equipment now coming on line, train on it efficiently, and capitalize on productivity enhancing technology.



PARTNERS IN THE TOTAL ARMY
FY 87

As I described earlier, this restructuring has been accomplished within a deliberately fixed Active Component (AC) end strength so as to preserve a reasonable portion of our constrained resources committed for force readiness, modernization, and sustainability requirements. As a result, we have integrated Guard and Reserve units with the active force to a degree unprecedented in recent history. The Guard has 10 of our 28 divisions. The Selected Reserve constitutes 50 percent of our total military strength, 51 percent of our combat battalions, 70 percent of our deploying forces, and 70 percent of our combat service support.

GROWTH OF COMBAT CAPABILITY



INITIATIVES

- *PRODUCTIVITY ENHANCING TECHNOLOGY*
- *ORGANIZATIONAL MODERNIZATION*
- *HEADQUARTERS REDUCTIONS*
- *RESERVE COMPONENT GROWTH*
- *CIVILIAN SUBSTITUTION, CONTRACTING*
- *HOST NATION SUPPORT, CONTINGENCY CONTRACTING*

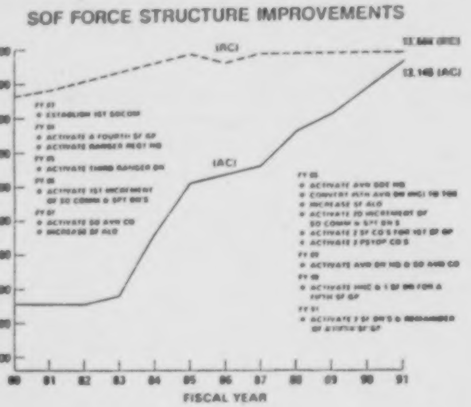
Within the overall composition of the Total Army, we have increased the combat capability as this chart shows. For the Active Component, we have created 29 additional battalions through FY 1987, with 21 more programed between now and FY 1991. This increase has been accomplished within a constant end strength for the active component. Also shown here is the growth in combat power in the Reserve Component, along with the increase in Reserve Component end strength, including Individual Mobilization Augmentees.

I will now address our specific plans for force structure, including the heavy, light, and special operations forces in the Total Army structure.

~~Heavier~~ Forces. Army design models provide for an armored division of approximately 16,800 personnel (6 tank and 4 mechanized infantry battalions) and a mechanized infantry division of approximately 17,100 (5 tank and 5 mechanized infantry battalions). The design provides for an increase from three to four in the number of tank and infantry companies assigned to maneuver battalions. These companies are being equipped with the Abrams tank and Bradley Fighting Vehicle. Heavy forces in both Europe and the Continental United States (CONUS) will continue conversion to the refined unit designs during FY 1987, as associated new equipment is fielded and facilities become available. Reserve Component affiliation with selected Active Component units continues, with roundout units converting to new unit designs about the same time as their associated AC unit.

Lighter Forces. The light infantry division calls for four Active and one National Guard divisions. This initiative resulted from an extensive review of force structure, national strategy, and changing world situation. The light infantry division provides an essential, rapid deployment, pre-crisis deterrent capability to the National Command Authority. The design of the light infantry division gives the U.S. an added capability for low intensity conflict. The airborne and air assault division structures are based upon the light infantry division force design modified to consider unique mission requirements and the need for specialized training. Both divisions will be more readily deployable with increased tactical mobility. These forces also can be used to reinforce NATO by defending in the numerous areas of Western Europe where urbanization, wetlands, and forest inhibit mechanized movement. Such defense helps free our heavy forces for offensive operations. Our light forces can be moved rapidly by airlift (in about one-third the number of C-141B equivalent sorties for a standard division) to any place where our national interests are threatened.

Special Operations Forces. The Army is firmly committed to the revitalization of its Special Operations Forces. Readiness of our active component SOF has dramatically improved and reserve component readiness shows steady improvement. Special Operations Forces (SOF) are essential for joint and combined theater level operations across the conflict spectrum, and are uniquely suited for limited objective operations at the lower end of the spectrum. SOF provide the National Command Authority an effective means of responding to instability and crisis without the liabilities of large, highly visible, and expensive conventional forces. The SOF Master Plan is the Army's broad outline for SOF revitalization.


SOF FORCE STRUCTURE IMPROVEMENTS

This chart shows the growth trends for Special Operations Forces, through our FY 1991 projection.

Guided by the SOF Master Plan, the Army SOF Modernization Action Program provides the details of our program effort which currently includes 74 initiatives that range from increased force structure through modernized communications capability and improved sustainability. The 1987 budget for Army SOF is nearly 50 percent greater than that of 1985.

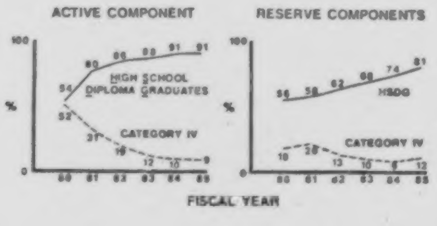
READINESS

Let me give you the facts about readiness and capability in the Army. The soldier remains the most important element in the readiness equation. Improvements in the other aspects of military capability would have been of minimum value if not complemented by increases in personnel readiness. Continued improvement of the quality of life for soldiers and their families through pay comparability, benefit retention, and improved living and working conditions is an integral part of readiness.

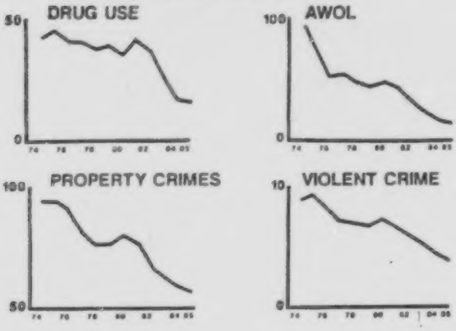
Personnel Readiness. Quality people, military and civilian, are the key to the Army's success. We must have intelligent, high quality, motivated soldiers who can successfully perform across the spectrum of conflict. To recruit and maintain this force, we plan to support our soldiers and their families. We plan to improve housing for soldiers and their families, and eliminate obsolete and deficient living and working areas. These programs are essential because the better soldiers and their families feel about the Army, the better will be the readiness of the Army.

Never in our history has the Army had a better force of intelligent, dedicated, highly skilled men and women. Ninety-one percent of those entering the Active Component last year were high school graduates with diplomas, compared with 54 percent in FY 1980. Similarly, last year only about 9 percent of our new accessions scored in the lowest acceptable category on our entrance tests, compared to 52 percent in FY 1980. The infusion of a greater number of educated, more intelligent soldiers, and the resultant decrease in disciplinary problems have enabled commanders to focus on the mission and training needs of their commands.

QUALITY SOLDIERS



INDISCIPLINE IN THE ARMY
(RATES PER 1000)



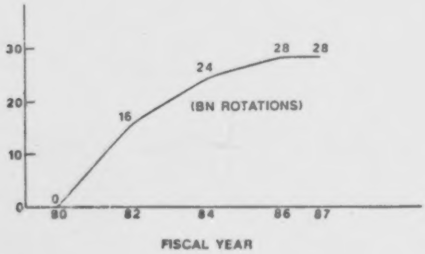
These successes have been achieved, in part, because of your support of the recruiting and advertising programs. The Army College Fund and enlistment bonus programs, combined with the two year enlistment option and increased major media advertising, have been the keys to the Army's success. With your continued support the Army will maintain quality accessions at FY 1985 levels.

Training Readiness and Strategy. Success on the battlefield demands peacetime training programs which challenge soldiers and units to achieve excellence. The imperative for quality training has never been greater. Within the framework of AirLand Battle, our tactics place increased emphasis on initiative, flexibility, and synchronization. Well-trained units are required to transform textbook theory into wartime execution. Well-trained individuals and crews are required to transform design potential into battlefield capability. Well-trained leaders are required to transform these highly motivated volunteers into combat ready soldiers, crews, and units.

Training resources at all echelons are stringently managed. The ultimate goal continues to be the attainment of a higher degree of individual, crew, and unit training proficiency at equal or lower cost. This goal must be accomplished despite substantially higher ammunition, operating, and support costs associated with much of the modern equipment. That challenge is significant.

Training must provide realistic simulated combat experience. Modern training facilities and simulators are essential to improving skills while conserving ammunition as well as other costly resources.

NATIONAL TRAINING CENTER



The greatest success story in training is the National Training Center (NTC) at Fort Irwin, California. The National Training Center provides CONUS heavy forces the only opportunity for task force level training in a high intensity, technogically sophisticated environment over a sustained period, against a highly trained force which accurately replicates Warsaw Pact doctrine, equipment and organization. The training a unit undergoes at the NTC is the closest experience possible to actual combat. From FY 1981 to FY 1984, 64 battalion task forces trained at the NTC as the facility ramped up toward full capacity. Beginning with FY 1985, 28 task forces train each year and during the FY 1985 to FY 1987 period, nine of the battalion rotations will be National Guard Roundout units.

Additionally, we have in our program the development of the Combat Manuever Training Complex (CMTC) for Europe, beginning in FY 1987, to provide European units an equivalent experience to the National Training Center.

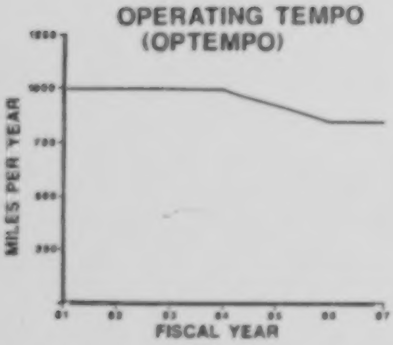
SIMULATOR EFFICIENCY

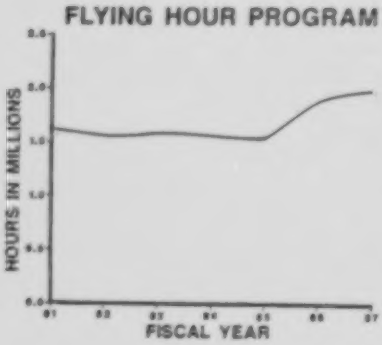
AIRCRAFT	COST OF SIMULATOR	REDUCED COSTS PER YEAR	PAYBACK PERIOD
UH-1	$ 2.5M	$6.1M	.4 YRS
UH-60	$10.6M	$5.2M	2.0 YRS
AH-64	$22.5M	$8.1M	2.8 YRS
AH-1	$15.1M	$2.9M	5.2 YRS

TANK	COST OF SIMULATOR	REDUCED COSTS PER YEAR (AMMUNITION)	PAYBACK PERIOD
105 MM (M60 SERIES & M1)	$2.2M	$.3M	7.3 YRS
120 MM (M1A1)	$2.2M	$1.8M	1.2 YRS

As the emerging family of sophisticated, high technology training devices is fielded, the Army is fully implementing the weapons training stategies developed by the Standards in Training Commission (STRAC). These computer simulations provide the commanders and their staffs, as well as individuals and crews, in both Active and Reserve Components with realistic and stressful training.

TRAINING READINESS

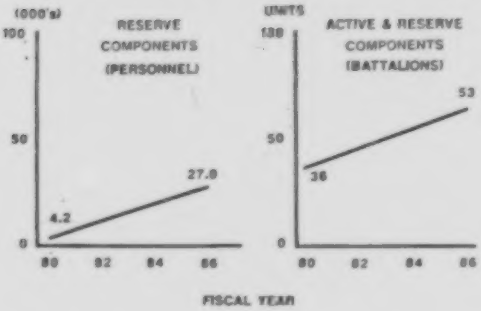

OPERATING TEMPO (OPTEMPO)


FLYING HOUR PROGRAM

We are closely monitoring our ground vehicle operating tempo (OPTEMPO) and aircraft flying hours/OPTEMPO to enable us to achieve the maximum benefit from our training within the constraints to our resources. Training OPTEMPOs are established annually for intensively-managed systems and reflect the required rate of use (as a fleet average) to achieve projected training requirements. OPTEMPO rates are expressed in terms of miles per year, hours per year, or other appropriate units of measure per system. Training OPTEMPO is the basis for funding annual unit training, and operational and support requirements. Training OPTEMPOs are a reflection of the level of O&M funding that we have appropriated for training support. In FY 1985, budget constraints forced an overall reduction in our ground operating tempo for tracked combat vehicles from 1000 to 850 miles per vehicle per year. We are currently programed at 850 miles through FY 1991. Despite the cut, we believe that if we can maintain this level, we can sustain an effective and ready force. Any further reductions could leave our units with some major training defiencies.

Our flying hour program is also being intensively managed and, as shown on the slide, we have a gradual ramp upward as we modernize and field new aircraft. With flying hours we have to consider safety requirements in addition to training readiness. Our current program allows us to achieve both. However, any decrease will endanger both objectives.

OCONUS DEPLOYMENT TRAINING



We have increased Reserve Force participation in OCONUS exercises, for example Bright Star 85, Team Spirit, and REFORGER. The Overseas Deployment Training program provides high priority RC units the opportunity to train in their contingency areas with their wartime gaining command. Approximately 27,000 Reserve Component personnel and 1,810 units/cells are projected to participate in OCONUS Deployment Training in FY 1986. The size of the units ranges from brigade through company and platoon. The 32d Separate Infantry Brigade from Wisconsin just returned from REFORGER. Over 53 battalions, numerous companies and platoons, and hundreds of cells — small detachments such as postal operations, psychological operations, and graves registrations — will participate in FY 1986. Projection for FY 1987 is continued increase in this program.

Medical Readiness. The Army Medical Department (AMEDD) is charged with the missions of maintaining a physically and mentally fit military force; training and equipping for combat and contingency operations; and ensuring a quality peacetime health delivery program for all beneficiaries as currently authorized by law. The perception created by a few, well-publicized reports does not reflect the totality of the quality care being provided.

Within the current capability of the AMEDD to equip our TOE hospital units, there exist sufficient health care personnel assets to meet our mobilization requirements. Generally, this can be expected to continue through 1991, at which time our programed improvements in medical equipment readiness are to come to fruition. However, as our medical units become equipped, the AMEDD will experience critical shortages in surgery related skills. This is attributable to personnel shortages in the Reserve Component, particularly in the Individual Ready Reserve.

Although growth in health provider assets has been substantial over the last few years, efforts to improve our personnel posture continue in order to ensure that sufficient personnel assets are available to meet our equipped structure requirements in the future. Enhancement programs have been developed to recruit critical health care personnel. These programs include enhancements to recruiter staffing, educational stipends, and a National Augmentation Detachment. Although these programs have been approved by the Army, they are not yet funded.

The Army continues a significantly increased acquisition program for medical equipment. This program supports the entire spectrum of combat casualty care from new medic aid-bags to new combat hospital equipment. The combat hospital program, known today as Deployable Medical Systems, acquired medical materiel sets for 13 hospitals in FY 1984 and 27 hospitals in FY 1985. This program accelerates in FY 1986 and continues through the five year program period in order to obtain materiel required to equip the total combat hospital force.

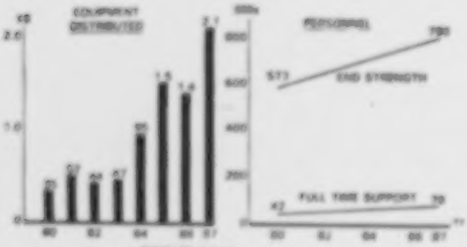
Shortages of medical personnel and equipment have degraded our overall medical readiness. The keys to increasing medical readiness are acquisition and fielding of combat hospital equipment, and recruiting and retention of professional medical personnel to support wartime requirements. Providing quality health care is the top priority of the Army Medical Department.

Reserve Component Readiness. The Reserve Component, composed of the Army National Guard and U.S. Army Reserve, provides about half of the soldiers in the Total Army. Consequently, increased dependency on the Guard and Reserves to fulfill Army missions requires the Army to improve the readiness of its Reserve Component. Initiatives are underway to further enhance training and accelerate modernization. These initiatives are in keeping with Defense and Congressional guidance to improve Total Army readiness and mobilization potential.

The CAPSTONE program aligns Reserve units with their wartime chain of command and establishes a training and equipping priority based on wartime missions. CAPSTONE alignments have been developed for Europe, the Pacific, Southwest Asia, and the CONUS sustaining force. The Overseas Deployment Training Program provides high priority RC personnel and units the opportunity to train in their contingency areas with their wartime commands. The Regional Maintenance Training Sites Program has been established to improve the readiness of RC maintenance personnel through sustainment training programs and skill transition. These twenty-three regional facilities will enable personnel in approximately 73 percent of the Army's non-divisional maintenance units to receive hands-on training for current and force modernization equipment.

The RC Accelerated Modernization initiative began in FY 1986. Currently, there are four ARNG battalions equipped with the M1 tank. The Army remains firmly committed to increasing the equipment fill in the ARNG and the USAR.

RESERVE COMPONENTS

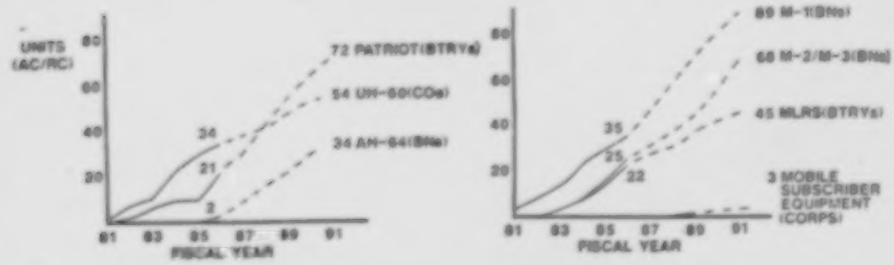


FIRST TO FIGHT
FIRST TO BE EQUIPPED

The Reserve Component is receiving "product improved," older equipment from the Active Army as well as new equipment. The chart above shows the significant growth in this program. Increased inventories of new equipment and associated training require increasing support of full-time personnel. The chart also shows the resultant growth in full time support (Active Guard Reserves and technicians) for the ARNG and USAR.

Modernized Equipment. Current Army emphasis is focused on conventional forces needed for combat in accordance with AirLand Battle doctrine, and the core of our Army modernization effort is oriented toward providing such capabilities. Modernization leads to improved readiness and sustaining capabilities because fielded equipment is more lethal, easier to maintain by virtue of diagnostic and repair techniques, and improved designs, and more effective for training by the use of simulators. As I mentioned earlier, we are only partway in our modernization effort, and have started to see the results of that effort.

UNIT MODERNIZATION



As the chart above shows, we have made great progress, but we will have modernized only the active heavy division force and their affiliated round-out units by the early 1990s. This equipment will add to our combat capability, and I will soon discuss how we measure that improved capability. But in order to make that equipment work, we must have trained people, supplies and fuel to get the systems to operate, transportation to get them there, a way to communicate, and an ability to maintain that equipment. What I have described is the relationship between operations and maintenance (O&M) dollars and our investment dollars.

Considerable management improvements have been made in OMA force modernization funding. Since FY 1982, the development of operating and support (O&S) costs and budgets for Army Force Modernization has matured. Efforts are underway to enhance our ability to project, compute and monitor the extremely large and complex costs of fielding and sustaining hundreds of new and modernized systems now entering the inventory.

Shown below is the force modernization program for operating and support. You can see we have undergone a substantial growth since 1982.

OMA in $ Millions

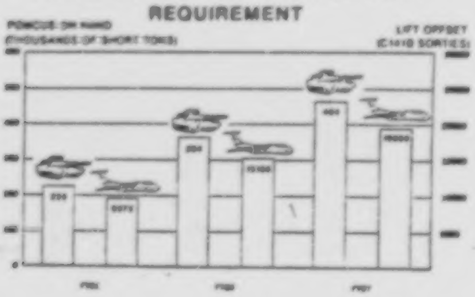
FY 1982	FY 1983	FY 1984	FY 1985	FY 1986	FY 1987	FY 1988
817	1301	1656	1979	2349	2618	3072

Historically, the Army Modernization Information Memorandum (AMIM) has been the handbook for developing O&S budgets for new weapons systems. It contained detailed engineering and consumption estimates, specifications, and cost rates for putting together O&S budgets. These cost rates are factored with the expected operating tempo of the system (miles per year or flying hours), and the numbers of systems to be fielded.

Today, the engineering estimates in the AMIM are being replaced by factors based on actual experience. The O&S budgets for force modernization are increasingly based on empirical data and through several new efforts are designed to more accurately project requirements. The focus in FY 1987 is on cost estimates reflecting actual experience, and on a stabilized distribution plan.

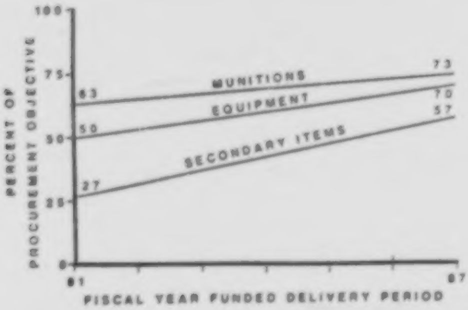
Deployment Capability. The Army has prepositioned equipment in forward deployed areas to help offset the shortfall in meeting deployment times and strategic lift requirements. This program has the additional benefit of providing visible proof of the nation's commitment to allies and potential adversaries. POMCUS fill in Europe by the end of FY 1987 is indicated in the chart below. While much progress is evident, we are far from being able to reach our reinforcement objectives.

POMCUS OFFSET OF STRATEGIC LIFT REQUIREMENT



Sustainability. The Army must acquire and store sufficient stocks of equipment, munitions and spares to perform assigned missions until the nation's industrial production base can provide wartime materiel requirements on a sustained basis to meet the challenge of today's battlefield. A picture of Total Army Readiness is not complete without considering our ability to sustain our warfighting capability. The chart below provides the status of war reserve stocks.

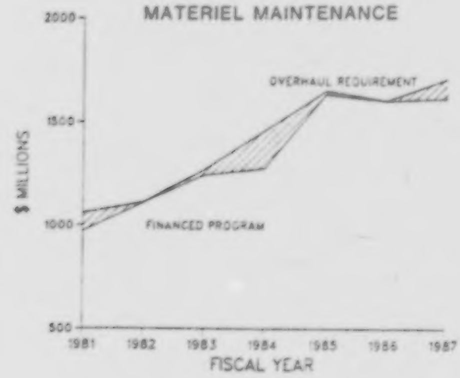
WAR RESERVES



The Army continues to invest substantial resources in the modernization of war reserve stocks, concurrent with the modernization of our forces. Progress in the stockage levels of modernized munitions, secondary items, and major end items has kept pace with new fieldings and requirements. I solicit your continued support in this essential area.

DEPOT MAINTENANCE

MATERIEL MAINTENANCE

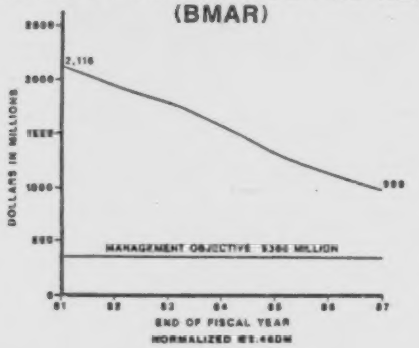


A comprehensive depot maintenance program is necessary to the sustainment and readiness of combat forces. Depot level materiel maintenance provides serviceable major and secondary items through overhaul, repair, and product improvement applications in support of Army forces worldwide. While the Army remains committed to fully financing materiel maintenance, it is unable, as you can see in the budget, fully accomplish that in FY 1987. Currently the FY 1987 Army budget resources 95 percent of materiel maintenance requirements.

Facilities. The physical condition of Army facilities in which soldiers live, eat, and work directly impacts on overall readiness. Improvements to existing facilities, and the replacement of WWII and Korean War facilities result in improved living, working, and dining conditions, which contribute to the retention of our first term soldiers. Our goal is to provide adequate housing for all soldiers and their families, get equipment out of the mud, and eliminate obsolete and deficient living and working areas. Family housing will be provided for more than 7,000 additional soldiers in FY 1987. However, we need to do more, and quickly.

Inherent in our facility improvement process is the principle that the Army maintain what we own. Real property maintenance needs to be funded at a level that finances annual recurring requirements for maintenance and repair, supports Army modernization and structure initiatives, and reduces the backlog of maintenance and repair (BMAR). Deferred maintenance and repair (DMAR) for family housing dwelling units must also be funded to support the quality of life for soldiers and their families.

BACKLOG MAINTENANCE AND REPAIR
(BMAR)



We have continued to reduce the backlog in maintenance and repair of our physical plants. The cost of this maintenance and repair backlog now stands at two-thirds of annual maintenance and repair requirement costs. We have continued to make steady progress in housing programs. We continue to strive toward a manageable level of $360 million.

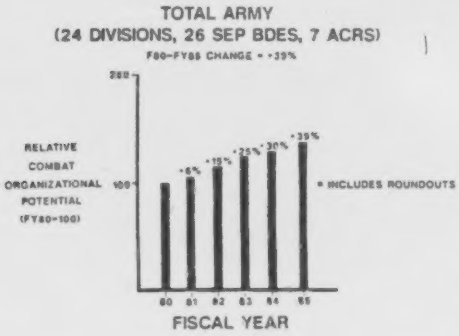
MEASURING READINESS

The Army monitors and assesses its status, readiness, and capability through a family of three analytical measures; the Measuring Improved Capability of Army Forces (MICAF) System; the Unit Status Report (USR), and the Army Operational Readiness Analysis (OMNIBUS). MICAF measures the changes over time in a unit's warfighting capability resulting from modernization and enhancements in organization. The USR measures a unit's status or conditions at a given point in time, as compared to its full wartime requirements. The USR provides an indicator of unit readiness or preparedness to perform its mission. OMNIBUS measures the overall preparedness of today's Army to deploy, fight, and sustain the force in the Defense Guidance Scenario. It provides indicators of Army Capability.

It is critical that these analytical tools be used in concert with each other in order that a true picture be provided of our units' readiness and capability.

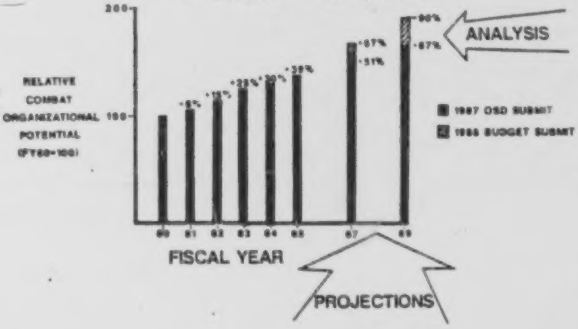
Each of the family of analytic tools, then, provides its own unique set of insights. First, I will discuss the insights recently gained from the MICAF 85 study.

MICAF was first presented to OSD and Congress last year. MICAF 85 has been expanded to provide data concerning capability changes of most divisions, separate brigades, and ACR's against a 1988 threat.



This chart shows that the warfighting capability of the Total Army major combat units increased 39 percent over the 1980-1985 period compared to a 1988 threat. This gain was realized primarily through the modernization of units by the fielding of equipment such as M1 tanks, Bradley Fighting Vehicles, and the Multiple Launch Rocket System. Our equipping strategy of "first to fight, first equipped" resulted in a capability increase in the Active Component of 49 percent against a lesser but still significant increase of 24 percent for the Reserve Component.

TOTAL ARMY
WARFIGHTING CAPABILITY IMPROVEMENTS
(DIVISIONS, SEP BDES, ACRS)

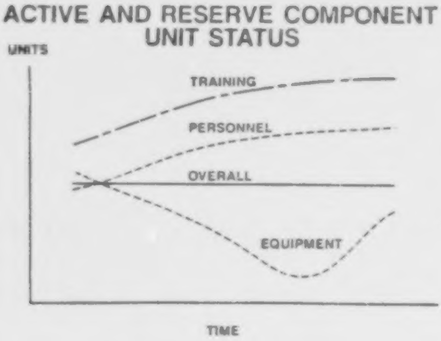


It is vitally important that we maintain the momementum gained from the recent modernization efforts. This chart graphically illustrates the significant impact the Army will realize by already programed cuts. The top of the bars for FY 1987 and FY 1989 represent the capability we would have had if we had bought equipment programed from the FY 1986 President's Budget. The lower level is a result of reduced funding for equipment. This results in a decrease in programed capability of 16 percent in FY 1987 and 24 percent in FY 1989. Additional cuts will similarly be translated directly into overall Army capability decreases.

Not to be confused with other means of analyzing warfighting capability and total force readiness, is the Unit Status Report. Whereas MICAF measures changes in a unit's warfighting capability, the Unit Status Report (USR) provides a valuable snapshot, point-in-time review of selected unit readiness indicators. The report indicates the status of personnel, equipment-on-hand, and equipment serviceability as measured against the unit's wartime requirements, and assesses a unit's training proficiency in light of available resources. Under the Unit Status Reporting System, two tank battalions, one equipped with 54 M60 tanks and the other equipped with 58 M1 tanks, can both be reporting the same unit status rating even though the modernized battalion has a much greater warfighting capability. As I've described earlier, the USR is a valuable internal operations and management tool; however, it does not measure an organization's total readiness or capability.

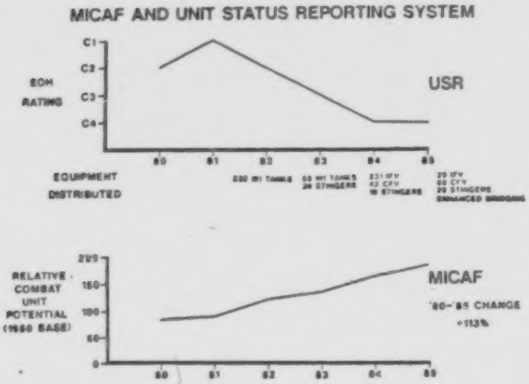
MICAF is designed to measure capability increases due to equipment modernization and organizational changes. To do this, it is oriented primarily to on-hand or programed equipment. MICAF does not consider certain intangibles such as soldier quality, training, and leadership. History and studies have shown that these intangible factors have a major impact on battlefield performance. Therefore, although MICAF shows substantial capability gains have been made, the actual increases are much higher due to Army initiatives that have improved factors such as leadership, morale, and soldier quality.

As an operational tool Unit Status Report data is used during the planning process to select and rank order units for deployment in operations plans; during the selection of type units to meet contingency missions or fulfill requirements on the battlefield; and during mobilization to qualify units for deployment. As a management tool USR data is used at all levels of command to identify and evaluate trends; flag problem areas which can then be evaluated and solved; evaluate the ability of units to meet deployment schedules; and identify areas requiring special emphasis. The Army also uses USR data and projected changes in resource area ratings as input to automated systems that are used to further analyze the force and to aid in making resource decisions.



This chart notionally portrays Unit Status Report trends over the past five years. The status of training and personnel has substantially improved. In spite of increased equipment fielding, equipment ratings declined during the early 1980's, but they have stabilized over the past year and are now rising. Although real equipment shortages do exist in the Army, the primary reason for the decline in equipment ratings was that authorization documents were changing faster than new equipment was available for fielding. We have worked to improve the synchronization of equipment fielding and documentation changes to eliminate distortions in equipment-on-hand ratings.

The resulting decline in the equipment-on-hand ratings does not, in most cases, represent a real reduction in unit readiness or capability. In fact, even as equipment-on-hand ratings declined, the real readiness and the warfighting capability of most Army units has greatly improved.



This chart portrays how the warfighting capability of an actual unit increased even as unit status rating were degraded due to modernization actions. This example vividly demonstrates why concurrent analysis is necessary. It compares the Unit Status Reporting System measurements for one of our divisions against the capability increases recognized by MICAF. We can see that the addition of M1 tanks, and the Infantry and Cavalry Fighting Vehicles, starting in 1982, caused MICAF to recognize significant capability gains. Simultaneously, however, documentation changes caused increases in requirements for supporting equipment. The non-availability of this equipment caused the C-ratings of this unit to decrease.

The OMNIBUS study takes the broadest look at our warfighting capability. It dynamically assesses our ability to deploy, fight, and sustain our forces primarily in a European environment. In so doing, it considers the availability of strategic lift, the capability of our support forces to provide the necessary long term sustainment, and the adequacy of our war reserve stocks. OMNIBUS results indicate that substantial improvement has been made in recent years.

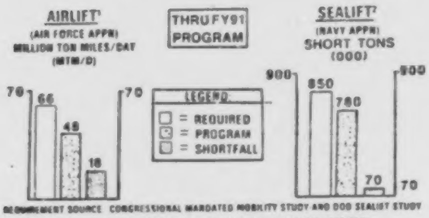
The Army has a comprehensive readiness management system that provides us the ability to assess readiness, prioritize enhancements, and optimize resourcing for readiness. We are providing responsible stewardship of these resources in order to maximize Army readiness gains.

SIGNIFICANT SHORTFALLS

Despite the progress that has been made with your support, I would be remiss in my report if I did not highlight several significant shortfalls facing the Army today.

Strategic Mobility. The Army must rely upon its sister services, the Air Force and Navy, to meet its global commitments.

STRATEGIC AIRLIFT AND SEALIFT SHORTFALL



REQUIREMENT SOURCE: CONGRESSIONAL MANDATED MOBILITY STUDY AND DOD SEALIFT STUDY

NOTES:
1. CURRENT AIRLIFT PROGRAM INCLUDES C-5B AND KC-10 PROCUREMENT
2. CURRENT SEALIFT PROGRAM INCLUDES SL-7 CONVERSION, FLATRACK/SEASHED PROCUREMENT AND RRF EXPANSION TO 100 DRY CARGO SHIPS

A 1981 Congressional Mandated Mobility Study (CMMS) established 66 million ton-miles per day (MTM/D) as the intertheater airlift long-term goal. When this capability is achieved, the Army can be expeditiously deployed to overseas areas to meet U.S. security commitments. The current programed initiatives, along with programed increases for purchases of spare parts, however, will not result in attaining the 66 MTM/D long-term goal for intertheater airlift capability until the next century.

Strategic Sealift is critical to the Army's capability to project and sustain heavy forces. Sealift is the only efficient way to move heavy combat/combat support/combat service support equipment today. Sealift must be the right type, at the right ports, and available early. The current sealift capability to support global requirements is inadequate; however, programed sealift capability is marginally sufficient to meet Southwest Asia requirements if the Navy plans to buy sufficient seasheds to move unit equipment on modified containerships is fully funded. The Army-Navy Memorandum of Agreement of 9 July 1985, cited earlier, is evidence that the Army and Navy are working jointly to satisfy Army requirements.

Congressional support for the Air Force C-17, the C5B, and Civil Reserve Air Fleet (CRAF) enhancements, as well as the Navy's Ready Reserve Force (RRF) expansion and containership modification (seasheds) program will help reduce our airlift/sealift shortfall. Other actions that help reduce our strategic lift requirements include the lightening of our forces, prepositioning of war reserve stocks and filling of POMCUS. The U.S. Army is committed to filling POMCUS as soon as possible. However, as I have previously discussed, POMCUS is still inadequate to meet the commitment to NATO with ten divisions in ten days. By the end of FY 1987, we will have 76 percent of our total requirement. The equipment that is short in POMCUS is the same equipment found short throughout the Army.

Mobilization Capability. Shortfalls continue to exist in responsive mobilization capability. The Army faces problems in training readiness of the pretrained manpower and training skills in its mobilization training base. Initiatives to improve training status of Individual Ready Reserves (IRR) include expansion of skill level 2 and 3 training programs, increased hands-on training opportunities, and the development of an IRR MOS training priority model. In the area of training base capacity, major constraints are shortages of training equipment, ammunition, trained cadre, and facilities. Presently, the training base capability is approximately two-thirds of the total requirement.

Chemical Capability. Our current deterrent capability is not adequate and will not be until we field a modern chemical retaliatory capability. We must continue to modernize our chemical weapons so that we can regain a credible deterrent capability and progress in efforts to ban chemical weapons altogether. Your demonstrated resolve in initiating this modernization effort last year has provided the impetus for what now appears to be a more serious interest for pursuing treaty discussions on the part of the Soviets — we must keep the pressure on. Toward this end, the Army has requested FY 1987 funds to continue building the binary munitions production base facilities, to produce 155mm binary munitions, and to develop a binary warhead for the MLRS. The Army needs the artillery delivered munitions to provide non-persistent agents at close-in ranges. The MLRS binary chemical warhead is being developed to fill a total lack of capability in the intermediate ranges. This modernization program also allows us to destroy the obsolete and potentially hazardous stockpile we are currently maintaining.

Forward Area Air Defense. When the SGT YORK Division Air Defense (DIVAD) gun program was terminated in August 1985, the Army began an exhaustive effort to determine solutions to the urgent requirement for effective air defense to fill the void in support of the forward area maneuver forces. It became evident that neither DIVAD, nor any presently fielded forward area air defense weapon could counter the growing air threat, and in particular the standoff helicopter firing long range anti-tank missiles. The new helicopter threat can engage friendly forces at these ranges while remaining essentially masked to line of sight air defense weapons.

To meet this new and expanded helicopter and fixed wing threat, we have developed a comprehensive Forward Area Air Defense (FAAD) Program. It requires a combination of line of sight, non-line of sight and enhanced combined arms weapons tied to an integrated system of sensors through a near real time command, control and communications architecture. A combination of non-developmental item acquisition and accelerated new technology development should allow early fielding of the FAAD system before the threat reaches a significant operational capability.

Command and Control. Reductions in funding will cause a serious degradation in command and control. Improvements have taken place in communications technology enabling us to develop systems that allow Army commanders to better command and control their forces, and to interoperate in joint and combined environments. Specifically, the fielding of the SINCGARS radio, Mobile Subscriber Equipment (MSE), and the Position Location Reporting System/Joint Tactical Information Distribution System Hybrid (PJH) is critical to achieving battlefield interoperability. The PJH system is especially key as it will tie together and support data communications requirements of fire support, air defense, intelligence and electronic warfare, maneuver control, and combat service support. In order for a commander to effectively control his tactical elements, he must know where they are located and must have means by which to talk to them even in an electronic warfare environment. These systems are sorely needed.

Deep Operations. Our current ability to apply conventional combat power against deeply echeloned Soviet forces is limited. Therefore, our challenge is to build a strong conventional capability providing the potential for disrupting attacking echelons and degrading fire support, command and control, and communications means. Our technological developments in sensors, data processing, terminal guidance, and conventional smart munitions constitute the backbone for improving our deep operations capabilities. Our goal is to field an integrated system to synchronize combat power in time and space, in order to win in the all-important close operations. Deep operations demand coordinated information management, smart munitions, and delivery systems.

CLOSING

The centerpiece of the Army is soldiers and families, and we are determined to do everything within available resources to improve their quality of life. The Army knows that supportive families make for a more ready force. Great strides have been made towards providing a high quality of life for our soldiers and their families, and with your help we will continue to improve upon our recent successes.

The Active Component, the Army National Guard, the Army Reserve, and the Civilian Component are all partners, each providing substantial contributions to the Total Army. I have shown examples of the solid improvements each has made in increasing the Army's military capability during recent years. We are, however, only midstream in our modernization efforts and must continue essential readiness and modernization programs to ensure national security in the near term, and lay the foundation for improved security during the remainder of this century. The lessons of history tell us that strong, capable, conventional forces enhance deterrence and raise the nuclear threshold. Though the cost to the nation of a quality and capable force is high, the potential price of not maintaining such a force is far greater. We appreciate the support you and the American people have provided in the past, and solicit your continued support in order to sustain the progress made to date.

Mr. HUTTO. Thank you very much, General Vuono. We complimented you at the beginning. I don't think we meant to give you an A plus, because we still have a long way to go. One thing that I would like to ask: In its report to the committee, GAO expressed concern about the lack of uniformity among the services in their implementation of the UNITREP system. As a result of this lack of uniformity, GAO questions the validity of UNITREP to compare readiness among the services and, in some cases, a service unit themselves.

Do you think that GAO concerns are valid, and if so, what should be done to improve uniformity in UNITREP implementation?

General VUONO. I think that we should continue to work as hard as we can to strive toward uniformity. But having said that, I think it is very difficult, given the differences in the way the services fight; the way the Army fights in terms of units, and the way some of the other services use systems. I think it is a worthwhile goal, but I think it is going to be very difficult to achieve.

What I would hope that we could strive for is capability, in terms of some way to see if the services can come together on the measurement of capability. It may not be the same model that we are using here, because the MICAF model is unique in terms of the Army. I believe it is going to be very difficult to do because of the differences in the services.

Mr. HUTTO. Well, there is no question it is difficult to measure. But do you think that measuring capability is something we should define before measuring readiness or it would help us better to define readiness?

General VUONO. I think it would help us better to define it, yes, sir.

Mr. HUTTO. OK. In its report, GAO indicated that the hierarchy concept of Army modeling has proven difficult to implement. Why is this so, and how is the Army's model improvement program going to address this?

General VUONO. Well, we have been trying to—we started out on the hierarchy models a number of years ago. Some of us have been into it for the last 7, 8 years and we did have difficulty. The GAO was absolutely right. I think though that we now have come to grips with that hierarchy in terms of the battalion level model, the corps level model, and the theater level model, and I mentioned here in OMNIBUS, the improvement that was made in that one model and that was the theater model I was talking to.

But I think we have the three different levels of models. Our effort has been recently devoted to the activity of those three models so you see a linkage between the battalion, the corps, and the theater models, and I think that hierarchy has come together because of the work of the model improvement program.

So the GAO is right that we have had trouble coming to grips with that. It has not been an easy matter, but I think we have made significant progress. It has taken longer, Mr. Chairman, than any of us wanted to take, but I think we are making progress.

Mr. HUTTO. One more question before I go to my colleague.

In its report, GAO discusses efforts by the OSD–JCS Readiness Task Force to develop a sustainability rating. GAO also indicates that this initiative has been opposed by the services for a number of reasons. What are the Army's objections to this initiative and do you think there is any way to salvage the sustainability of this system?

General VUONO. I think that it wasn't so much that we disagreed with sustainability. We were a little concerned about calling it sustainability because we use that term elsewhere, and we were concerned about the confusion that might arise if we use that term.

[The following information was received for the record:]

READINESS V. SUSTAINABILITY

What OSD proposed was that some of the Services stop including supplies on-hand in equipment on-hand ratings. For example, the Air Force includes the status of repair parts as part of this rating. The Army concurred with separating the measurement of supplies from equipment and giving the Services the option of using this new rating category. However, we nonconcurred with calling the new area "sustainability." This is a term normally associated with war reserve stocks, not on-hand supplies. For example, the JCS Commanders' Situation Report contains sustainability or "S" ratings that do address war reserve stocks. Sustainability is also addressed in terms of war reserve stocks in the Force Readiness Report. UNITREP terminology changes proposed by OSD would have complicated and confused an already complex subject.

Mr. HUTTO. OK, thank you.

Mr. Whitehurst.

Mr. WHITEHURST. Thank you, Mr. Chairman.

General, I think you indicated 28 battalions a year are rotated through Fort Irwin, CA. I am curious. How often can this battalion have the opportunity to exercise out there?

General VUONO. About once every 16 to 18 months.

Mr. WHITEHURST. That is great.

General VUONO. Yes, sir.

Mr. WHITEHURST. Once every 16 to 18 months. And the normal length of time out there is what, about 10 days, 2 weeks?

General VUONO. No, sir. We are working on extended rotation, about 21 days, and what we have tried to do is give a period between the various evaluations so that the commander can work on areas he feels need improvement. We are trying to hold to that. If we can continue the funding for it, we think we will do that.

Mr. WHITEHURST. I think it is very important that you do. Do you have a series of observers?

General VUONO. Yes, sir, what we have out there is a group called the OPS group, the operations group. It is headed by an army colonel, personally selected for his tactical and doctrinal ability. He has under him a group of very bright young officers. We have four lieutenant colonels who actually are the senior operations group. These four are all former battalion commanders, again, personally picked because of their tactical knowledge, and the young officers under them, majors and so forth, are also well qualified. And they do an absolutely superb job using the instrumentation, as you know we have out there, and their own ground observations. The key to that is what we call the after action review, where you get all the leaders together and you go through it. That is where most of the learning takes place.

Mr. WHITEHURST. Due to the fact that the unit is recycled on a fairly short basis, are comparisons then made between its performance in 1 year as opposed to the next time it comes through?

General VUONO. No, sir, there is no intent to do that. Obviously if you were a member of the OPS group and you saw that battalion today and then you saw it again 18 months from now, you may draw some comparisons.

Mr. WHITEHURST. I recognize that.

General VUONO. And you would draw some subjective comparisons but there is no intent objectively to indicate that in the take-home package that we give the unit when it leaves. We give them a take-home package that has all their strengths and weaknesses, to include a video display.

Those strengths and weaknesses can be built upon by that organization, by the new commander that comes in, and it is a great vehicle for him to determine the training status for his battalion.

Mr. WHITEHURST. I want to pursue this a little bit. I am interested in it, because as I have mentioned to other witnesses, I have been out there, and have seen the operation and was impressed by it.

When the unit comes back the second or third time, and it has already had an opportunity on the basis of the prior experience to assess its shortfalls or whatever else, do they look again and say, OK, we did it right this time or we are doing it better. Is that kind of a judgment made or is it possible to make that kind of analysis?

General VUONO. Oh, sure it is, and the evaluators out there will evaluate the unit against their performance today.

Mr. WHITEHURST. OK.

General VUONO. But the unit commander, and let's say his operations officer, if they had been with the unit 18 months ago, obviously can make the comparison, and they can make the comparison even if they were not with the unit if they have the data and have reviewed the data, which they do prior to going out. The unit asks what did we do out there last time; what were our strengths and weaknesses; what do we need to work on?

Mr. WHITEHURST. That is the answer I was looking for. Staff has a question here which prompted me to raise this particular tact with you. In its report to the committee, the GAO expressed concern that Army reliance upon commander subjective judgments of training readiness may limit the validity of comparisons between units, and the question is, do you think the concern is valid. Can some kind of objective criteria be developed to improve the validity of Army unit assessments of training readiness?

General VUONO. I don't think the comment by the GAO is necessarily valid. I think we do have some ways that we can measure it. We have a thing called STRAC now, which is a means by which we set certain standards for weapons systems, and you measure against those standards. We have the Battalion Training Model, which again is against a certain standard. We have the Army Training and Evaluation Program, which I know you are familiar with.

Again, one would say, well, that is too subjective. I can tell you from personal experience it is not, because if you have done a very thorough job in your organization, determining the collective and individual training requirements for your particular mission, they call it METL [Mission Essential Task List], and each one of those has a standard which you must meet, then I, as a unit commander, can give you a good objective picture of my organization.

So I think we have that, sir. We can always make it better, but I believe we have it.

Mr. WHITEHURST. That is reassuring. We have other questions here we can furnish to you and get the questions to you for the record, but I think that is fine, Mr. Chairman. I have nothing else to say.

Mr. HUTTO. Thank you, Mr. Whitehurst.

One more question here with regard to the GAO report. In their report to the committee, they indicated that there is currently no focal point for coordinating DOD efforts to improve its capability to measure readiness and military capability. Do you think that one is needed, and if so, what would be your recommendation?

General VUONO. I think it would be helpful if we could work on that. As it is now, we have several agencies that we go to in terms of readiness. I think it would be of help.

Mr. HUTTO. Very good.

General Vuono, and Generals, we appreciate very much your testimony and your good work, and we appreciate very much your working with this committee. As you know it is a very difficult thing to measure readiness and all the help you can give us will be appreciated.

General VUONO. Mr. Chairman, we thank you for the opportunity to come over, and we certainly want to continue this dialog, and we thank you for all the support that you have given the Army.

Mr. HUTTO. Thank you very much. We will have some questions and you will provide the answers for the record?

General VUONO. Yes, sir.

Mr. HUTTO. Thank you.

General VUONO. Thank you.

[The following information was received for the record:]

COMMANDER'S SUBJECTIVE UPGRADE OF UNITREP STATUS

Mr. DANIEL. General Vuono, in its report to the committee, GAO expressed concern about the ability of Army commanders to subjectively upgrade C-ratings of their units. How prevalent is this practice and how much does it actually distort UNITREP results? How much of an additional burden would a dual reporting system that GAO is suggesting impose upon the Army?

General VUONO. If an overall rating is subjectively changed the Unit Status Report highlights this fact and it is also evident what the rating would have been if no subjective charge was made. Therefore, the current system already provides an overall rating with and without subjective upgrade.

Use of subjective change procedures for "overall" ratings does not distort UNITREP results, it enhances them. Ratings are based on a general set of criteria for use by units of all types and the Unit Status Report does not measure all factors that affect unit readiness. Therefore, it is prudent that the commander on the ground be able to provide the final assessment of his unit's status. A commander must justify subjective change of his unit's overall rating.

During any given reporting period the number of commanders making a subjective change is far smaller than the number that do not. For example, a random review of 200 reporting units revealed that 17 overall ratings were subjectively changed.

ARMY ROUNDOUT UNIT REPORTING

Mr. **Daniel**. General Vuono, in its report to the committee, GAO expressed concern over the fact that the Army does not reflect the status of roundout units in the C-ratings of Army divisions that will be augmented in that fashion. Do you think this concern is valid and do you agree with GAO's suggestion that roundout units be reflected in the C-ratings themselves and not relegated to the comments section of the report?

General **Vuono**. Prior to the conduct of the GAO study the Army had initiated efforts to include RC roundout units in AC parent unit reports. Under revised AR 220-1 a special remarks card is being added to the report of AC major combat units to identify its assigned roundout unit, the ratings of that unit, the rating of the parent AC unit if the roundout unit is considered, and the impact of the status of the roundout unit on the AC parent unit. GAO concerns about putting this data on a remarks card are unfounded because they are being entered in a format that will permit the use of automated systems to display and analyze the data, and they can be made available to anyone in the UNITREP System.

The parent AC unit will still provide a rating that does not include the RC roundout unit. A separate rating is needed because although these units are affiliated they may not always fight together or be deployed at the same time because a mobilization decision must be made before a RC unit can be used; different resource management channels are used for AC and RC units.

ARMY PERSONNEL QUALIFICATIONS

Mr. **Daniel**. General Vuono, in its report, GAO expressed concern that the Army does not fully measure required skill levels of its personnel in UNITREP ratings. GAO suggests that the Army utilize two separate ratings to provide more information on personnel qualifications. Do you agree with this suggestion and how much additional burden would it impose on Army unit commanders?

General **Vuono**. The Army already uses three separate ratings to determine a unit's overall personnel status: available strength, skill qualification, and availability of senior grade personnel. A unit's personnel rating can be no higher than the lower of these three ratings. We believe the current system best represents the personnel status of Army units.

Available strength is based on that portion of a unit's assigned strength that can actually be deployed/employed. For example, a soldier is not considered to be available if he is in the hospital or in confinement.

The Army's skill C-rating compares the first three digits of a soldiers occupation specialty code to his assigned position. The fourth digit, which specifies grade level, is not considered to keep the rating system compatible with assignment policy. To maintain a viable personnel management system the Army permits assignment of soldiers in positions that are within two grades higher and one grade lower than their own grade. Current procedures permit review of military occupation specialty qualification to a sufficient level of detail and provides a good indication of a unit's status.

The Army focuses on the critical need to maintain adequate levels of senior leaders by developing a third C-rating based on the fill of soldiers E-5 and above.

READINESS MILITARY CAPABILITY MEASUREMENT SYSTEMS

Mr. **Daniel**. General Vuono, since fiscal year 1978, how much has the Army spent to enhance its ability to measure readiness and military capability and relate those measurements to funding decisions? Also, how much is programmed for this purpose in the current five year defense plan?

General **Vuono**. Aspects of readiness are included in the program functional areas of manning, equipping, training, sustaining, mobilizing and deploying. Indicators used to identify readiness gains in these areas include the level, condition, availability or quality of personnel, equipment and training. Some of these indicators are developed from automated information systems and data bases, status reports or through observation of training and exercises. Other indicators used by Army leadership to estimate force readiness are developed through analysis and modeling. Due to the pervasiveness of readiness in many functional areas it may not be possible to accurately estimate how much the Army has expended nor to track how each specific readiness measurement relates to a funding decision.

The primary analysis tools used for force readiness include OMNIBUS and MICAF. These analyses are conducted in-house and specifically focus on readiness issues. Since 1981 the Army has increased the professional staff dedicated to these studies from 12 to 21. This increase does not reflect other indirect costs, e.g. efforts to improve the models and simulations and computer time. The resources allocated to these studies are determined annually and there is no specific five year program cost projected.

USE OF C-5 RATINGS IN UNITREP

Mr. DANIEL. General Vuono, in its report to the committee, GAO indicated that the Army has only recently joined the other Services in using the C-5 category (not combat ready due to special programs) for units in transition or undergoing reorganization. Why did the Army wait so long to do this and what impact has it had on overall C-rating results.

General VUONO. A rating of C-5 indicates that a unit's readiness posture is being degraded below a C-3 level by a planned action versus the failure of a commander or of the resource system. For example, a unit that is being activated or undergoing a major reorganization can be authorized to report C-5.

In the past the Army has used C-5 ratings, but not very often. Units that could have qualified to report C-5 reported C-4. This procedure made it impossible to distinguish between units that needed special attention and those that were already being improved through a major programmed action.

The Army is expanding its use of C-5 ratings as part of its efforts to improve the management of readiness and due to the extensive amount of modernization actions that are ongoing. For example, programming actions are now being reviewed and where appropriate, major combat units are being directed to report C-5 for a specific period unless a C-3 status is attained earlier.

Future trends data will distinguish between C-4 and C-5 units; therefore, the numbers of units portrayed as C-4 will decline. Expanded use of C-5 ratings will bring the Army more in line with the other Services.

SUBSTITUTE EQUIPMENT

Mr. DANIEL. General Vuono, due to the difficulty Army units have experienced in measuring their equipment against new equipment requirements, unit commanders have been allowed to substitute other equipment for new requirements. GAO has expressed some concern that this practice masks readiness problems—especially in the case of the Guard and Reserve units. Do you think this concern is warranted and what is the Army doing to control the substitution of equipment?

General VUONO. The in-lieu-of policy is designed to help offset the modernization bias of unit status ratings. Under this policy, if a unit's authorization documents change but the new equipment is not available for fielding, a commander can count the old item for unit status reporting on a system for system, function for function, or capability for capability basis. For example, a Redeye missile system can be counted as in-lieu-of a Stinger weapon, a jeep for a HMMWV, and an old generator for a new model generator. Not getting the new equipment does not degrade readiness below previous levels; therefore, it should not be reflected in unit status ratings. However, it does mean that a unit will not be able to achieve a higher level of capability until the new equipment is received.

The supply system maintains visibility of actual equipment in units and MICAF indicates the warfighting capability of units based on this same equipment. The Army is working to negate the need for the in-lieu-of policy by improving documentation and equipment fielding procedures.

ARMY LOGISTICS ASSESSMENT

Mr. DANIEL. General Vuono, according to GAO, the Army Logistics Assessment represents the primary available tool for projecting the readiness and sustainability of Army forces. How does this system work and what is being done to make it less labor intensive and more flexible in addressing emerging requirements?

General VUONO. The Army Logistics Assessment (ALA) is a comprehensive systematic assessment of total Army logistics capability to go to war. The assessment is accomplished annually by Army staff and MACOM planners under the direction of the ODCSLOG. The entire spectrum of logistics is related to our potential warfighting capability in the assessment. Warfighting constraints, ongoing actions to fix them, and deficiencies which remain to be fixed are identified to provide the basis for programmatic action in the Planning, Programming, Budgeting, and Execution System (PPBES). Thirty-eight key functions consisting of a broad range of supplies and services needed to support combat operations are linked by theater of operation in incremental time periods. A new project, the Army Logistics Assessment-Expanded (ALA-X) is being pursued by the Army in concert with the Rand Arroyo Center. This effort will enable the quantification of the logistics contribution. The objective is to analyze allocation of resources to logistics support functions in order to optimize combat power. The bottom line is, ALA is helping to achieve better logistics support for wartime operations and better utilization of constrained funding available to the Army.

OMNIBUS AND TOTAL ARMY ANALYSIS

Mr. **Daniel**. General Vuono, according to GAO, OMNIBUS and Total Army Analysis systems are based on a series of models analyses which attempt to identify major factors that may effect overall Army combat performance. How is this done and how much confidence do you have in the validity of the components that support these two systems?

General **Vuono**. The OMNIBUS study examines the Army's capability to mobilize, deploy, fight and sustain current forces to accomplish missions in support of a Defense Guidance Scenario. The study uses computer models and simulations to represent intertheater transportation, division-level combat operations, theater-level military operations, consumption and workload factors for support units. Data used in these models reflect force structure, unit availability dates, strategic lift, equipment and personnel strengths, war reserve stocks and other resources at their current levels. The war fighting results for the current force are compared to the results of a fully structured and equipped force. This comparison provides insights to current readiness and capability deficiencies.

The Total Army Analysis (TAA) study determines the support forces required to fully support the combat force projected for the last year of the POM. TAA uses many of the same models and simulations used to support OMNIBUS. Data used in TAA reflects resources projected to be available at the end of the POM period.

The basic models used to support these studies were developed in the early 1970's. The models have been improved and modified as required. There have been in-house reviews that thoroughly examined model representations, data and assumptions. The Army is confident that the models represent the state-of-the-art, are valid representations of theater level conflict and provide results useful for the purposes of the studies supported. The Army is pursuing a model improvement program aimed at correcting known shortcomings of existing models. For example the Army has developed and is using a new threater campaign simulation model that offers improved representation of combat support and combat service support units, tactical air operations, command and control and logistics. This model is being developed under procedures and standards of the Army Model Improvement Program and has followed a rigorous design and development process.

Mr. **Hutto**. We are delighted to have Lt. Gen. Leo Marquez and Major General Fischer with us. Gentlemen, you may proceed as you desire.

STATEMENT OF LT. GEN. LEO MARQUEZ, DEPUTY CHIEF OF STAFF FOR LOGISTICS AND ENGINEERING

General **Marquez**. Thank you very much, Mr. Chairman. Once again, it is a pleasure to be before this group. We are well aware in the Air Force how helpful this particular subcommittee has been for the readiness of the Air Force and we are very greatful for all the help we have gotten from you.

I know that the topic, and just judging from the previous 45 minutes, a topic of great concern to all of us here, of course, has been this question of readiness, how do you measure it, how do you account for a measure of readiness output for dollars input in the beginning.

Like the Army we do not claim that we have the answer to it, and we read with great interest the GAO report, and basically are in fundamental agreement with some of the recommendations the GAO report made in UNITREP and those kinds of things.

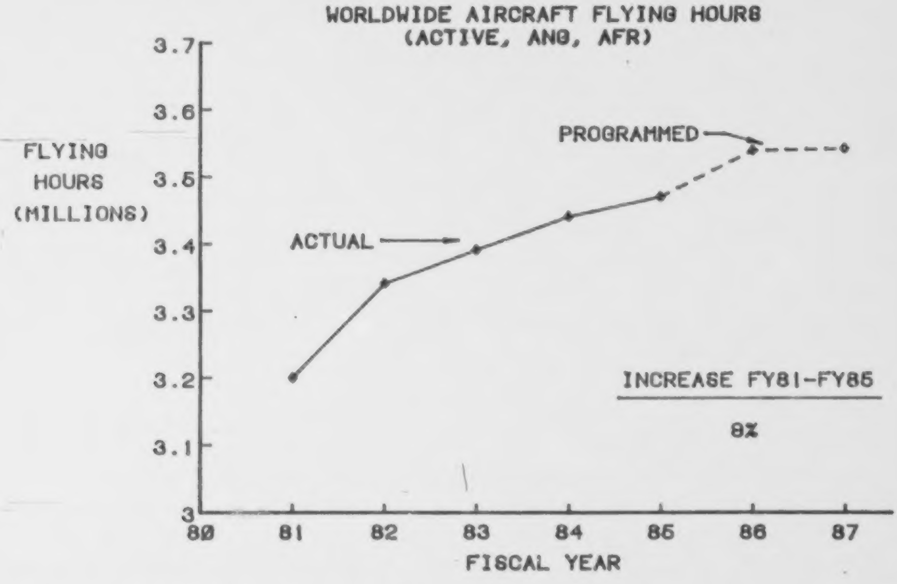
I would like to share with this committee, though, a few of the indicators that we currently in the Air Force use, not only to just reassure ourselves of what the particular status is of some management indicators that will tell us how robust our logistics side, our supportability aspects of our force structure are, but then give you an introduction of some of the products that we are now using to measure capability, as it were, either in sorties to be flown by whatever version of the fighters or the tactical airlifter as well as some measure of commodity measurement model that we now have.

I will also be cautioned to say that we are not complete with this project, but we realize that what we have measured so far and as far as we have come, we are quite pleased with, but also recognize ~~that there~~ are a lot of aspects of this measuring business that we don't have our arms around and then General Fischer will give you a small presentation on the efforts we are making to get a hold of some of those other intangibles which General Vuono touched on a little bit.

Mr. HUTTO. Without objection, your statements will be entered into the record.

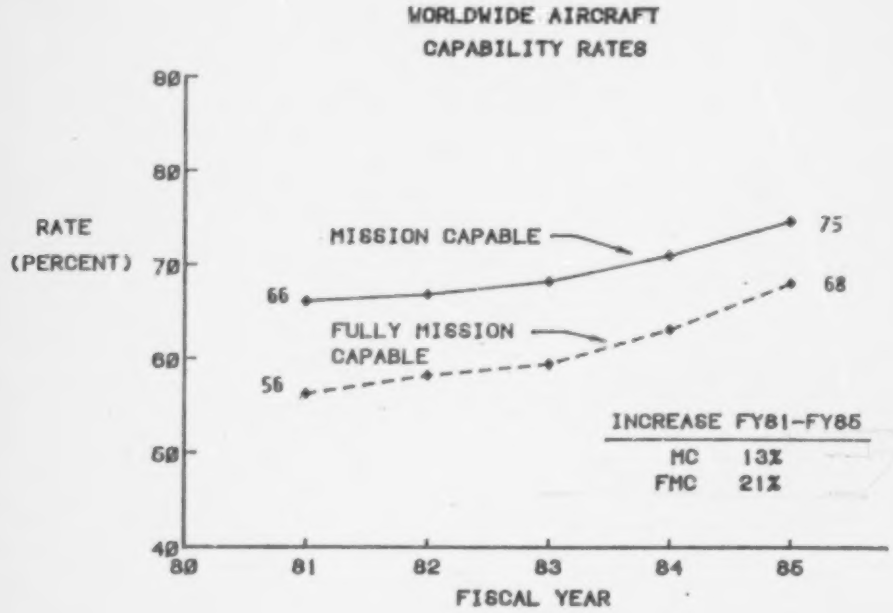
General MARQUEZ. Thank you very much. If I may, then, I would just like to start by showing you some of these charts.

Mr. HUTTO. Yes, sir.



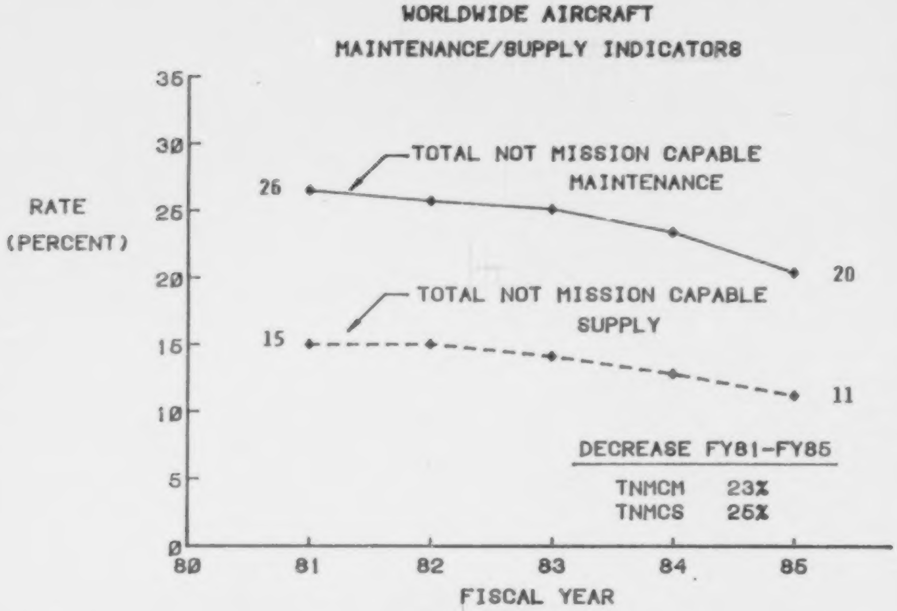
General MARQUEZ. First of all one of the things we of course have been very concerned about is the number of flying hours. You recall back in 1980 we were concerned because of the number of flying hours we were able to sustain for all our units, which was a direct measure of how well trained and how ready our pilots and our air crews really are.

As you can see, we are running at what we consider almost the optimum level of flying hours for fighter pilots, for airlifter, et cetera, and our program growth there shows not necessarily an increase in the number of flying hours that we intend to give each air crew any more, but also reflect on the force growth that we are getting on our new C-5B and some of our other growth in the fighter force.



Now in capability rates we used to measure and still do measure what we call what is the status of a particular aircraft, is it mission capable. In other words, it is ready right now and sitting on the ramp to do its job and of course, some airplanes of course you know have more than one capability. You know, one airplane can do one thing, et cetera, et cetera, and some of the systems are not needed for one mission or another we have got a different way. We say if an aircraft is fully capable of doing each and every one of the designed missions, than we call it fully mission capable.

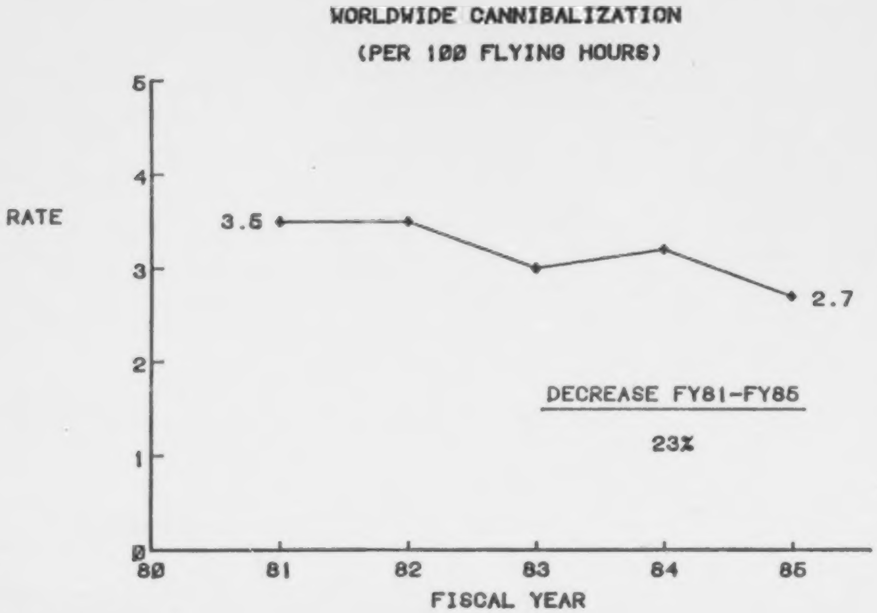
If, however, the aircraft is capable of doing at least one of its operational missions we then call it mission capable. As you can see we see some very substantial improvements in the capacity of our fighters as they stand on the ramp, and all our systems over where they were in the year 1983.



What our indicators say is that we have enough supplies to support this kind of level of activity. The activity level has been going up, the training level has been getting more rigorous and more realistic, and we see then that the number of aircraft that we have not capable either because they required maintenance or we were short for a part has also steadily declined.

This effort here, we are kind of reaching an optimum limit, can be put down to periodic maintenance, to do preventative maintenance, to do painting and control those kinds of things. So this is about where I think is the optimum level you do the kinds of work that you need to have done on the aircraft.

I fully expect to see this number 11 get down into below 5 within a year or so, and the reason for that is the funding that Congress has provided in the last 4 years, and of course, we have contracted for that, but lead time for some of these parts actually run mostly about 2 years, but basically approximately half of these funds Congress provided us still have not delivered; hardware on the ramp still has not come.

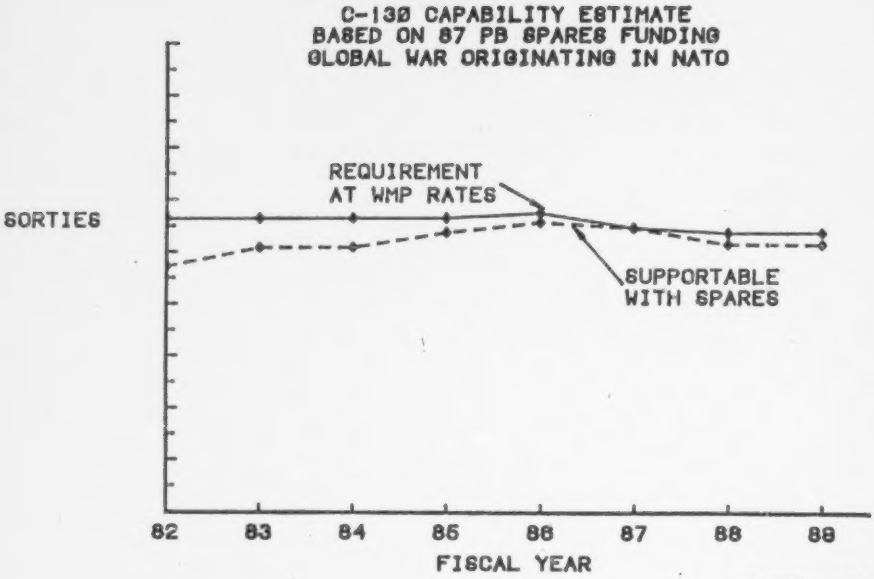


This is something, of course, we do not like to do, is when we have to take a part from one airplane and put on another one, and that number is going down from 3.5 per 100 flying hours down to 2.7. At this time right now what we are seeing is the reflection of a shortfall in our distribution system. It is not that we are overall short of the part, perhaps we don't have it in precisely the right place at the right time, the unit has to cannibalize to make that sortie.

Now, let me turn to capability assessments. By 1977 when we were getting the questions being asked from here, we ourselves were asking the question, how capable are we. We started developing a series of models, what we call capability assessment models.

We came up with a variety of ways of measurement and what we finally decided was, let's assume the most and we made assumptions that if we had air crews and ground crews, if the air crews were trained and the ground crews were trained, and they did not have a part waiting to go on that aircraft, it was decided that the airplanes could not fly because it did not have a part, so we started building a model to measure each and every airplane we own on that basis.

This measures those airplanes not only in hours flown or sorties flown, or missions flown, depending on what type of aircraft it was, given the level of assets that were available to that unit. Now, as we got better and better at this thing, we now can really say that we can now measure on any given day what a single fleet of airplanes can do given the overall availability of resources to support that airplane against this requirement which we program against. These are the measures against which we come over here and make our request for dollars.

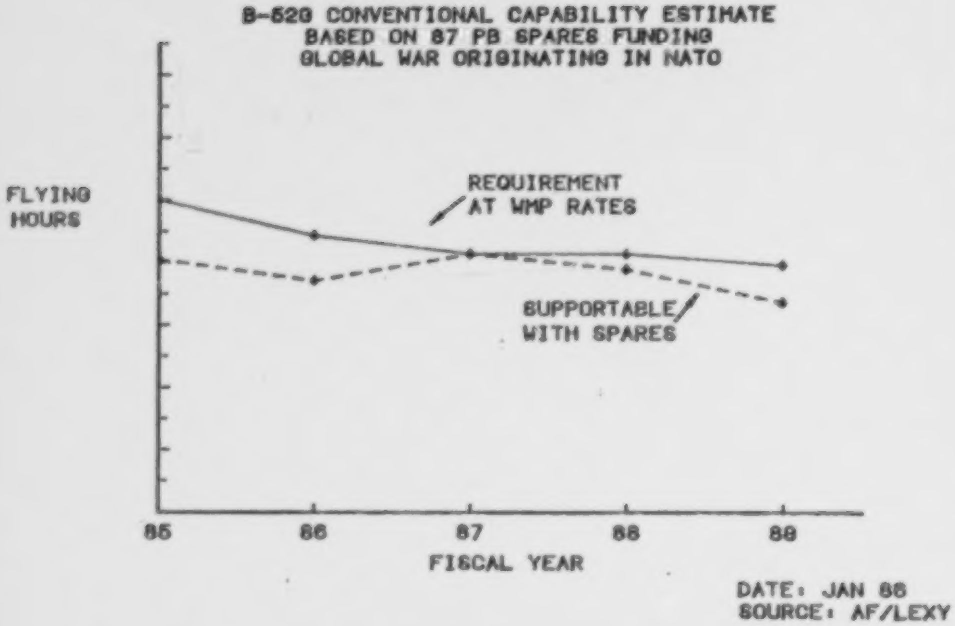


C-130 CAPABILITY ESTIMATE
BASED ON 87 PB SPARES FUNDING
GLOBAL WAR ORIGINATING IN NATO

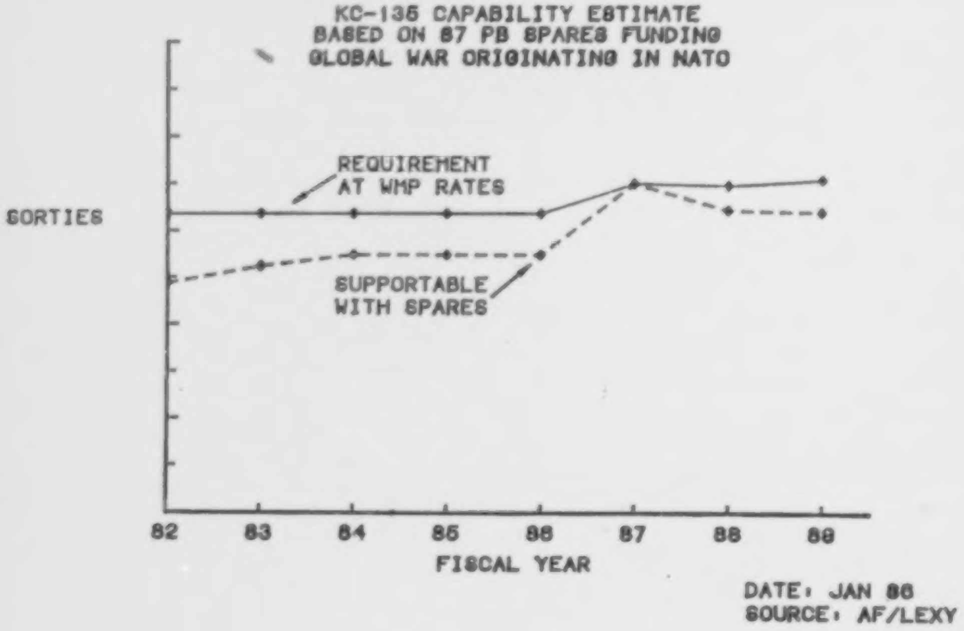
DATE: JAN 86
SOURCE: AF/LEXY

As you can see, that is a C-130, which is a tactical airlifter, you can see the capability line dropping down as some of our older C-130's now are starting to retire. Now, 1987 I think I mentioned earlier was a 2-year lead time for some of these parts so that will reflect in the full capability to fly these sorties.

Now you are going to see a small gap out here in the end and what that reflects is the fact in the 1986 budget, we have not received the full complement of spares that we had requested, and so therefore that shortfall will reflect itself in 1988, and our budget coming over to you right now in 1987 for reasons internal to the Department was reduced somewhat and so therefore we have that particular capability shortfall insofar as spare parts goes. You will see that across-the-board, but so much for the C-130.

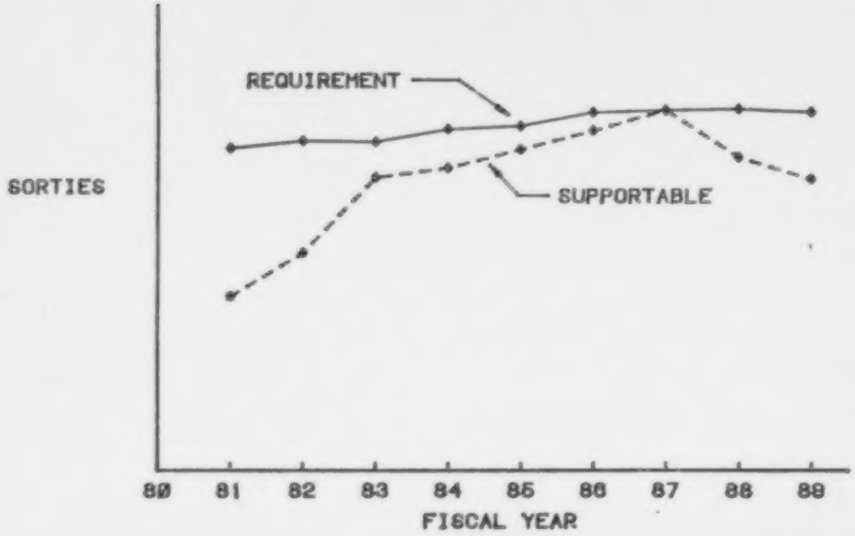


The B-52 conventional. The B-52 is an interesting airplane. When you look at the B-52, it has got a unique clear mission and it is very easy to support that airplane, because all it does is keep on flying. The B-52 conventional mission, which is a series of sorties going back and returning for a period of time, does recreate more support requirements. We got this airplane where it belongs and again it gets the program break.



Next, the KC-135—you see the capability rising over here because we have got more capability, we are tasking it higher, and we can see that the funding we get of fully reaching our capability there. And now I have to tell you this need not be. This problem here can be redressed in the budget that will be enacted in 1987.

TACTICAL FORCES SUSTAINABILITY
BASED ON SPARES
(GLOBAL WAR ORGINATING IN NATO)

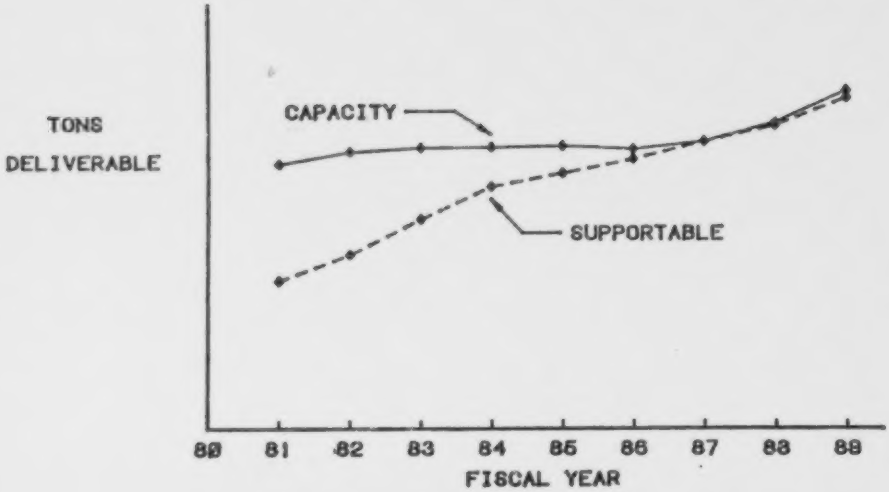


The tactical forces, this is a composite. I have one for each and every fighter we own, but this is a composite of all the tactical fighters we own. We can measure this in flying hours, we can display it in sorties, and we can break it down by individual wings or individual squadrons. In fact that is what we intend to do as we get our WSMIS project. But our capability now to measure is fleetwide—what our entire fleet of airplanes can do based on the commodity that it has to support it is now in hand and we can do this thing.

An interesting thing about a chart like this as we came across this thing that we were developing back in 1978 that if you look at this thing carefuly and you notice that this is an item-specific model. The model now begins to tell you what is going to limit you. The model itself tells you, you are going to be limited by this stock number, this stock number, and this stock number. If you think about that, this model then becomes one of the—if you run it backward, it becomes a requirement model. In other words, if you say I want to fly this much, what will it take? This same model will say you need this many more widgets, by stock number, et cetera, so the flexibility of the model is quite good.

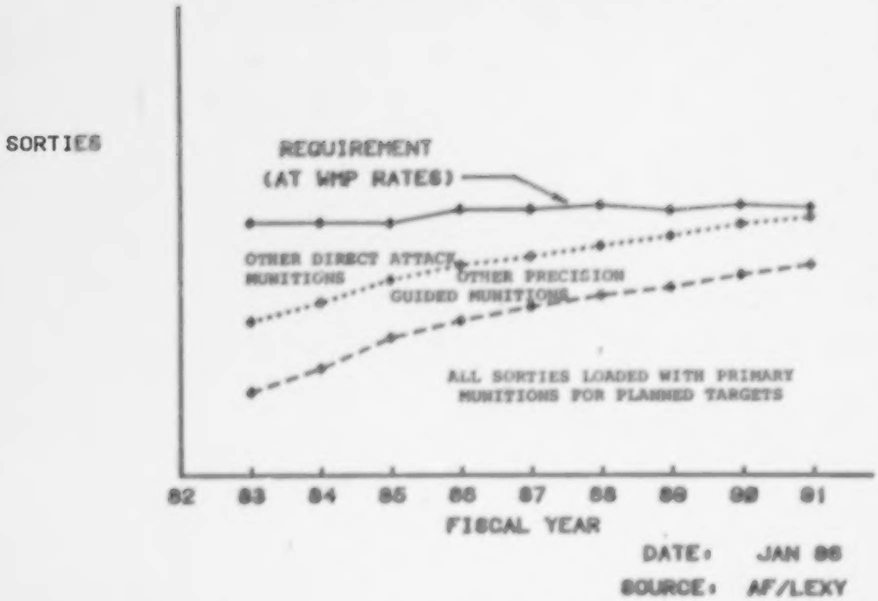
So there is our look-see.

C-5 & C-141 SUSTAINABILITY BASED ON SPARES (GLOBAL WAR ORIGINATING IN NATO)



Now these airlifters, again what we consider our single most important mission and the reason we say that is because we can have fighters all over, but we have other responsibilities, and that is to airlift the Army, the Marines, or anybody who has to go anywhere. The forces aren't any good if you can't get them to war, and we put our first responsibility on strategic airlift and regardless of the fact that we did not get full funding we fully intend to fund the strategic airlift so that whatever forces are available, we will be able to get them there, consistent with the requirement. Now this is not the full requirement. All of us know that we do not have enough strategic airlift, but that is the full capacity of every airlifter we have, C-5, C-141 and KC-10, so that is a capacity line. We are fully supportable in the spare parts to take care of those airplanes.

TACTICAL MUNITIONS SUSTAINABILITY
(GLOBAL WAR ORIGINATING IN NATO)



DATE: JAN 86
SOURCE: AF/LEXY

Now, let's talk about something else. We talked about the airplanes being able to fly. What can they drop? Do we have sufficient ammunition and munitions to deliver from those airplanes? This is an interesting chart and I will explain it to you a little bit. As you know, we have smart bombs, we have not-so-smart bombs and we have some real dumb bombs and we have precision-guided munitions.

Now General Fischer and his guys, who are OPS guys take a look at the sector they are expected to take out, you know, they look at it and they match the sortie to the target to the munitions provided. Now obviously they want an optimum sortie load, a sortie loaded with the optimum munitions to do the job against a specific target.

We are now in the process of developing, producing, and procuring these precision munitions. The line here shows that all these sorties under this line can be flown with the primary munitions for that planned target, again the target that we are looking at, whether it be in Central Europe or in Korea or Southwest Asia or anywhere.

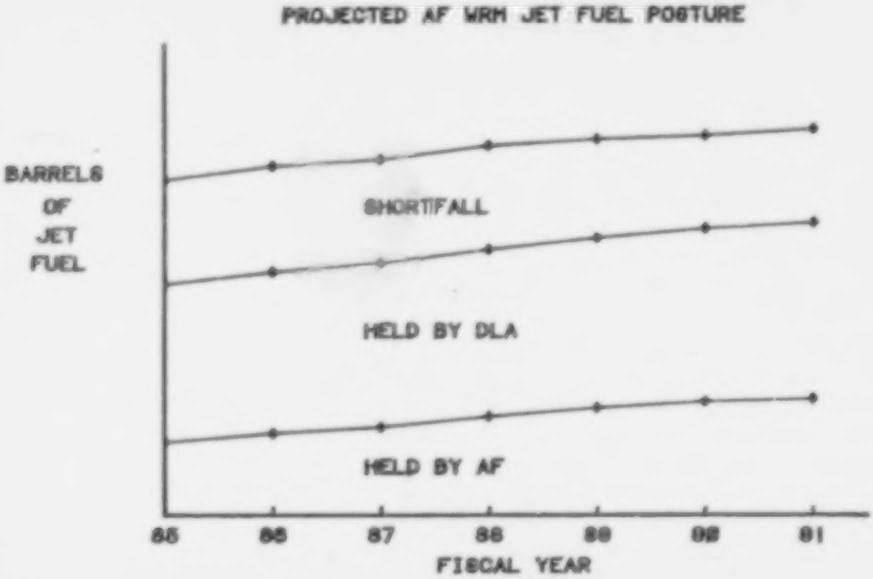
Now above that you see here we have older, less preferable precision guided munitions that are still very, very good. I am talking about the post-Vietnam era the PGM's which in their day were quite good but nowhere near as good as what we have got today, and then we have other direct attack munitions which aren't called precision guided, and then we have another line on another chart that goes somewhere up around there. We can load every sortie we have.

We gauge this acquisition plan that the Air Force has right now, the key is largely the analysis of the operation people, let's look at the targets, let's look at what we need to take them out and what is the best mix we can get and then they get it over to me. I look at it and say, all right, what are the optimum production rates I can get? I have to have a warm production base. I will give you the best production quantity per year for economics and also to keep the production base warm and viable to us.

My observation is that this bottom line will never equal the top line, because as soon as we get it here, there will be a smarter weapon we will be developing and there will always be changes in this line. But to dismiss any worries that you gentlemen might have that we may have more sorties available than munitions, you can rest assured we do not have that problem.

One of the reasons we put a lot of emphasis on smart munitions is because of the leverage they provide in terms of trips to the target, enemy attrition, and those kinds of things.

The analysis is done by General Fischer's people and then reviewed by my people and these are the requirements then that we send over here and the munition mixes that we ask for, all against a target set and also based against a number of sorties that we can generate in our wartime plan.



We have one other commodity that we are doing a pretty decent job now and that is how much fuel do I have. Fuel is one of the big commodities that we use and the Air Force is the largest user of that fuel of any of the services and we use over 50 percent of all the fuel used in the entire DOD.

But anyway, we do have a little bit of a problem with fuel. The problem is not that there isn't any fuel around. My problem is I don't have a place to store it, and that is a direct function in some respects of our inability to convince the Construction Committee to give us the tankage in the right places. I also hasten to tell you I have got plenty of fuel, just not in the right places. I've got lots of it here, and lots of it stored, but I don't have enough in Europe, I don't have enough in Western Pacific, and I don't have enough in Alaska.

As you know, the Defense Agency, they do a lot of the fuel buying and they do a lot of buying for the whole Department. They hold these stocks. Here is where we are short. Now, I can project this thing for every theater. I can do it for you in Europe, with all the fuel that our allies hold, using the abilities of the European pipeline system to move it, et cetera, et cetera, and we can get our hands on substantial amounts of fuel that are in private commercial sectors in Europe at any given time, and our host nations there do that.

But we do have a problem here primarily related to not being able to have enough storage particularly in Europe. Now I have gone over the spare problems. As I told you, you have seen a shortfall in our capabilities out there because of things that happened in our 1986 budget.

RESOURCES AND PROGRAMS

Aircraft spares.
Depot maintenance.
Modifications.
Reliability and maintability.
Civilian manpower.

I do not like to underestimate the fact that we get a lot of leverage out of our depot maintenance activity. Currently right now our depot maintenance backlog, we have projected the number that we have sent forward to zero. We have driven it down to zero backlog. The Gramm-Rudman cut in 1986 is a little bite of that so I am certain to show some backlog in depot maintenance, nothing that I'm uncomfortable about, but they are running up to around $250 million to $350 million at the end of 1987.

I would like to say something about modifications. The combat capability of any given system is done by modifying and improving it. A lot of things come to mind, the F-111, avionic modernization program, the C-141, the help this committee gave us in getting the initial upgrades in the F-4's and the A-7's, those kinds of things that are giving us better capability in existing airplanes.

We have done great work with R&M. I don't want to take up your time to go through that, but basically to tell you I think we are getting our arms around all of the elements in maintaining good reliable systems, how we can achieve them, how we make the contractors or designers work to deliver those.

Also, civilian manpower. Particularly by being allowed to manage civilian manpower not as an end strength problem but as a dollar problem, giving us the flexibility to put our manpower where we need it at the right grade, et cetera, et cetera, and it has been a very useful tool, and we would certainly wish that the Congress would continue allowing us to do that. We have demonstrated our flexibility and saved a lot of money and got the job done.

So that's the charts I have. Following that, General Fischer has some that would show you a different aspect of how we measure the increased capabilities because of better and improved equipment.

Mr. HUTTO. All right. Thank you very much. General Fischer, you may proceed.

STATEMENT OF MAJ. GEN. E.H. FISCHER, ASSISTANT DEPUTY CHIEF OF STAFF FOR PLANS AND OPERATIONS, HEADQUARTERS, U.S. AIR FORCE

USAF CAPABILITY

General FISCHER. Thank you, Mr. Chairman, and members of the committee. I would like to begin, if you will put the first chart on please, by discussing our capability assessment program.

AFCAP

AIR FORCE CAPABILITY ASSESSMENT PROGRAM

UNITREP = WHAT WE HAVE

- MEASURES RESOURCES AT UNIT LEVEL
- INFERS CAPABILITY - COMPARES "ON HAND" VS "AUTHORIZED"

AFCAP = WHAT WE CAN DO WITH IT

- ESTIMATES "TARGET KILL/CARGO" CAPABILITY AT FORCE LEVEL
- SHOWS CAPABILITY CHANGE OVER TIME
- WILL SUPPORT:
  - CONGRESSIONAL TESTIMONY
  - REAL WORLD CRISIS
  - AD HOC "WHAT IF"

We, like the Army, are searching for more meaningful and better ways to assess our capability. This method holds some promise for, showing increases over time, something we can track from year to year. Like the Army, UNITREP is difficult in capability measurement in that a C-17 A-7 squadron is not as capable as the C-2 F-16 squadron might be, yet it is useful to know what the C-rating of those units are in terms of UNITREP.

But we need to get on the capability end of it.

AIRLIFT
1980-1985

RESOURCE MEASURE

MAJOR EQUIPMENT FIELDED

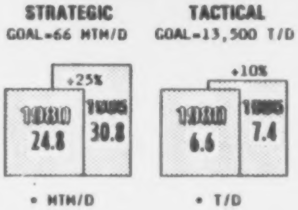
• KC-10 AIRCRAFT	35
• C-141 AIRCRAFT STRETCHED	208
• C-5A AIRCRAFT WING MODS	45
• C-130 AIRCRAFT	48

CAPABILITY MEASURE

MAJOR CAPABILITY CHANGES FIELDED

• C-5 WING MODIFICATION	+63%
• C-5 WARTIME FLYING HOURS/DAY	+64%
• C-141 WARTIME FLYING HOURS/DAY	+21%
• C-130 WARTIME FLYING HOURS/DAY	+6%

REPRESENTATIVE CAPABILITY MEASURE

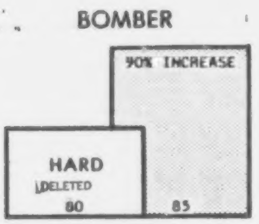


If I might use airlift as an example, the system we are looking at would certainly indicate the measures, resources measures that we use, major equipment fielded. It would look at capability changes, but most importantly, we would get to a representative capability measure, something that can be tracked over time, would indicate from year to year increases, would tell us how well we are doing toward our goal in case of airlift requirement of 66 million ton miles per day.

In 1980, we could do 24.8 million ton miles per day; in 1985, we could do 30.8 million ton miles per day with a 25-percent increase and we can track that yearly. Of course, decreases in funding will result in corresponding decreases in our capability toward the goal. Airlift is relatively easy because the requirement is relatively easy to establish and you can measure against it, and again, this can be tracked, as I mentioned, over time. So we can see how well or how bad we are doing in flying hours and all the things that go in to make up the capability that will hurt us.

Capability Improvements FY 1980 to 1985

Representative Capability Comparisons

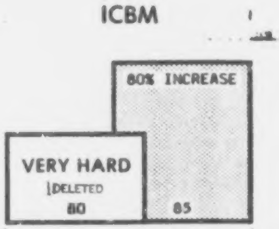


ABILITY TO DESTROY REPRESENTATIVE DELETED PSI TARGETS

- STAND-OFF CAPABILITY
- INCREASED ACCURACY

PROVIDED BY

- UPGRADING BOMBER OFFENSIVE AVONICS
- FIELDING AIR LAUNCHED CRUISE MISSILES



ABILITY TO DESTROY REPRESENTATIVE DELETE PSI TARGETS

- INCREASED ACCURACY
- INCREASED YIELD

PROVIDED BY

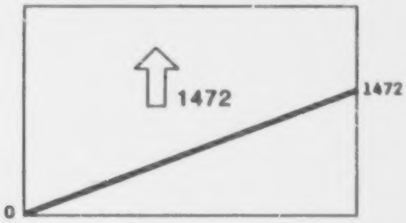
- UPGRADING GUIDANCE UNITS
- FIELDING MARK 12A WARHEADS

In all weapon systems, other representative capability can be measured using the most representative job that system has to do. Again over time representative capabilities can be added to form a more complete picture but we should be cautioned since current methodology does not measure against the threat. It measures against the representative threat, not the total threat. A next step might include if feasible measuring against that yardstick, but this gives us a start. And in this case--if you will go back a second—in this case, of course, the bombers representative target would be a [deleted] hard target to see how well we are going and what measures improve the capability, and of course, the same for ICBM's.

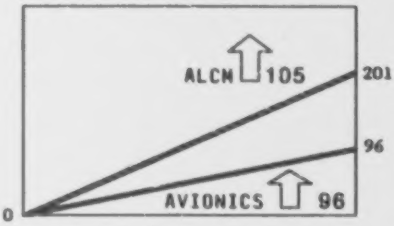
It is also important to be able to show how we have done overall, the so-called inventory count, which this committee is familiar with, yet it does provide some insight on how our defense dollars are spent for inventory, and certainly thank you for your support.

STRATEGIC FORCES
1980 – 1985

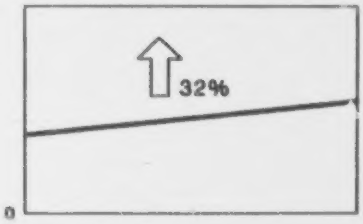
ALCM
AIR LAUNCHED CRUISE MISSILES



B - 52 MODIFICATIONS



DELIVERABLE BOMBER WARHEADS

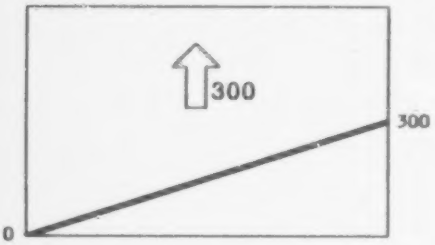


We have bought and fielded these improvements over the last year, and as you can remember from the last chart, these improvements can then be equated as a representative increase in capability.

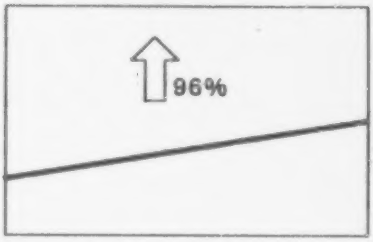
STRATEGIC FORCES

1980 – 1985

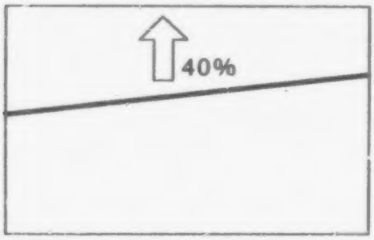
MM III GUIDANCE UNITS



MINUTEMAN III MK – 12A WARHEADS



EXERCISE PARTICIPATION

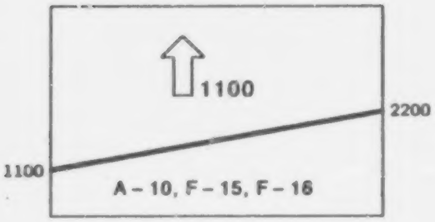


Strategic forces, of course, we have improved our accuracy and yield and trained a lot harder.

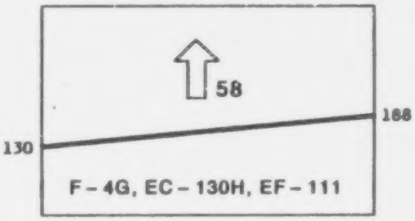
TACTICAL FORCES

1980 – 1985

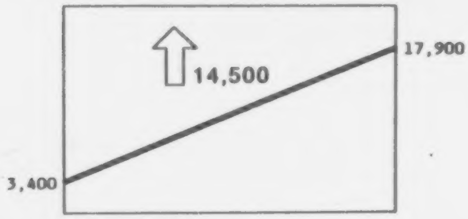
NEW FIGHTERS



C ²/EW AIRCRAFT



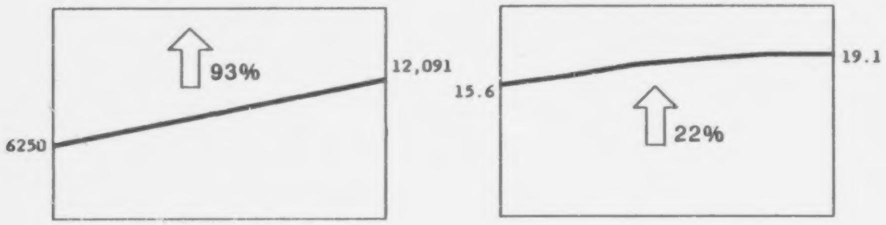
NEW AIR – TO – AIR MISSILES



Tactical improvements capability can also be equated to a representative increase in combat capability, that is, to destroy targets and destroy enemy fighters.

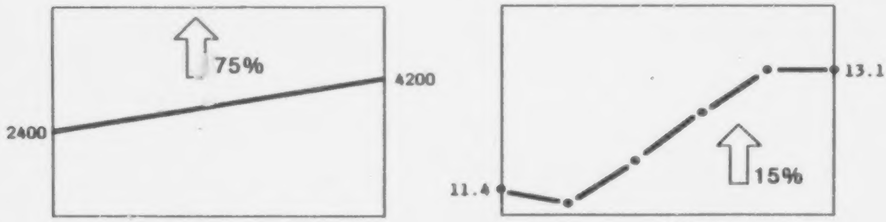
TACTICAL FORCES

1980 – 1985



EXERCISE PARTICIPATION

FLYING HOURS PER PILOT PER MONTH



RED FLAG SORTIES

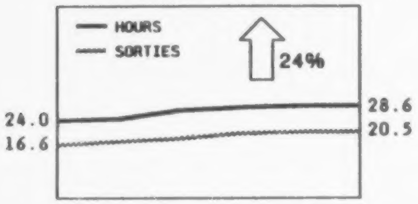
SORTIES PER PILOT PER MONTH

Key to any readiness is training and it has been more intense, as General Marquez stated, than any time in our recent history. Significant is the increase in hours and sorties for the individual pilots, about which this committee obviously had great concern and a lot to do with that, and you can see the results of your concern shown here.

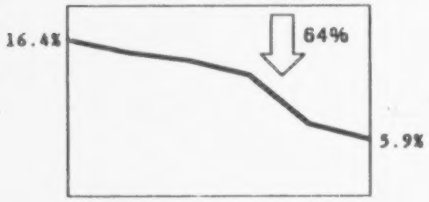
In the 1978–79 timeframe, you may remember that our pilots were getting as low as eight sorties a month. Now we are over 13 sorties and nearing 20 flying hours per month and getting very close to what is optimum. Our gut feel is somewhere around 20 hours for fighter pilots; about 15 sorties is about right. That is the mean number of training days available in a month and with other demands on their time, we are getting close to flying them about once a day every day that they are available, which will give us the right training.

Red Flag, our most intense and realistic training program, has shown dramatic increase. Significant in Red Flag is that as the intensity and numbers of aircraft involved have increased our exercises have gotten safer. The numbers we showed last I think were the numbers of sorties for one exercise, and that has also been increasing recently.

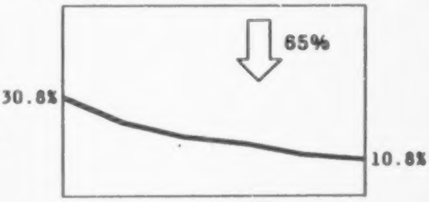
MAINTENANCE INDICATORS
ALL FIGHTERS



UTILIZATION RATES



TOTAL OUT FOR SUPPLY



TOTAL OUT FOR MAINTENANCE

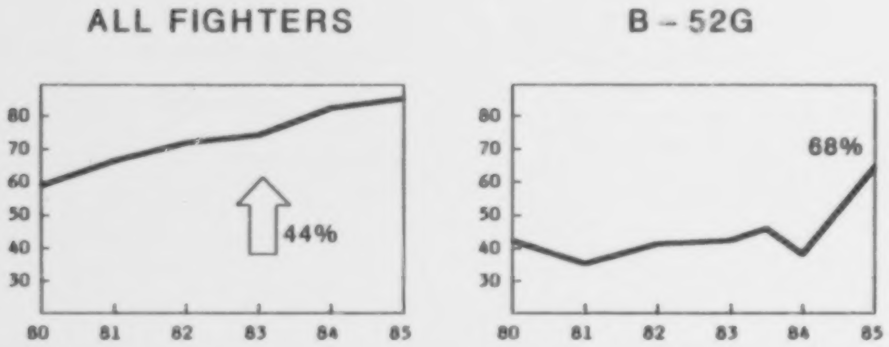
Readiness has received a real boost, as General Marquez pointed out, in improved maintenance capability, utilization of our fighter aircraft—I think you missed one. Go back to maintenance. I think it is one back. Should be a maintenance indicator right after that.

Mr. Hutto. Missed a little maintenance on that.

General Fischer. Maybe we took it out because General Marquez did such a great job. There it is.

Utilization of fighter aircraft is up by some 24 percent. Of course, the more aircraft we fly every day, obviously the more training and the more capability. In the F-15, for example, as I remember well, in the 1978-80 timeframe our in-commission rate ranged somewhere around 35 to 55 percent. Today it is 80-plus. For a normal wing that is like 20 to 40 more airplanes to fly every day and to go into combat with.

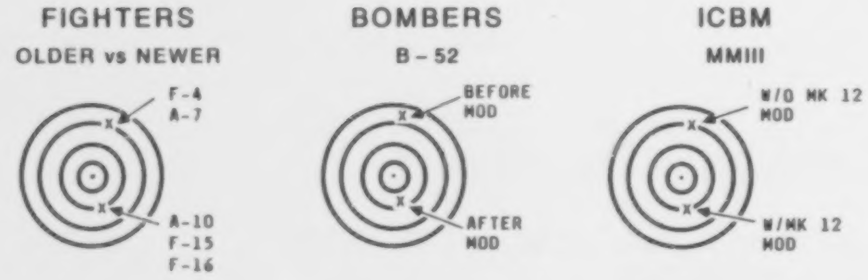
MISSION CAPABLE RATES


ALL FIGHTERS

B – 52G

And we have covered these mission capable rates which correspondingly went up, including B-52. On the whole, the system is doing very well.

WEAPONS DELIVERY ACCURACY


FIGHTERS
OLDER vs NEWER

BOMBERS
B – 52

ICBM
MMIII

33% IMPROVEMENT

50% IMPROVEMENT

33% IMPROVEMENT

Obviously, the increased training and flying hours brings results in improved system capabilities. You can see the difference in delivery accuracy which is getting significant, I might add, in the recent fighter weapons gunnery competition at Gun Smoke. Most of the bombs dropped were within 10 feet.

SOF READINESS INITIATIVES

MC-130 COMBAT TALON	HH-53H PAVE LOW	AC-130 SPECTRE

FORCE STRUCTURE

- MODIFY 12 H-53 TO HH-53H: JUL 86
- MODIFY 10 H-53 TO HH-53H: OCT 87
- PROCURE 21 MC-130H: FY 83-89
- PROCURE 12 AC-130H: FY 87-89

EQUIPMENT

- SOF ASSIGNED LOGISTIC PRIORITY ONE: COMPLETE
- REDUCE DEPOT MAINTENANCE FLOW TIME: COMPLETE
- INCREASE SPARES TO WAR LEVELS: FY 86
- HH-53 SERVICE LIFT EXTENSION: COMPLETE FY 91
- MODIFICATIONS/UPGRADES
  - MC-130 E/COMPLETE FY 90
  - AC-130H/COMPLETE FY 90

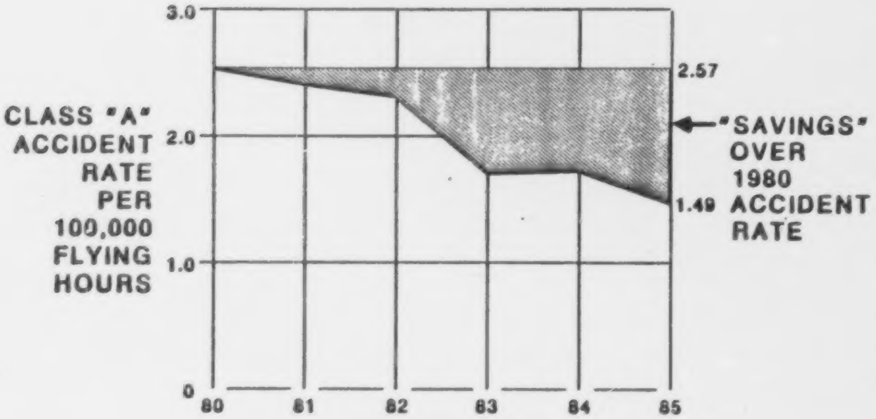
I won't spend a whole lot of time on SOF readiness initiatives since this committee is equally familiar as I am with the initiatives. Suffice it to say that we have started. I think it is a good beginning and we have got a ways to go.

SOF READINESS INITIATIVES

- ESTABLISH SYSTEMS PROGRAM OFFICE — COMPLETE
- ESTABLISH FORMAL AIRCREW UPGRADE SCHOOL IN AC-130 AND HH-53 — FY 86
- INCREASED MAINTENANCE MANNING AUTHORIZATION — FY 87

It is getting increased management attention. And last, but one excellent measure of how well we are doing.

FLYING SAFETY STORY



"SAVINGS" REPRESENTS

- 110 AIRCRAFT
- $700 MILLION COST SAVING
- 4 FIGHTER SQUADRONS

I know you have seen this chart before but I think it is worthwhile repeating. The accident rate is the lowest ever, in spite of more intense and realistic training. We are pushing our pilots and equipment like never before. Certainly, your subcommittee shares a large part of the credit for this success story. For all those like me, who fly airplanes, I would only say thanks.

Mr. Chairman, that completes my statement.

JOINT PREPARED STATEMENT OF LT. GEN. LEO MARQUEZ AND MAJ. GEN. E.H. FISCHER

Mr. Chairman, members of the subcommittee: We welcome the opportunity to appear before you today to discuss both the readiness of the United States Air Force and the measures we use to assess that readiness.

Today, the warfighting capability of the Air Force is the best it has ever been. Our Air Force is more capable of meeting the Soviet challenge, wherever needed, because of the support from this committee and the committment of many who labor to ensure that peace and security for ourselves and our allies continue as top national priorities. Air Force readiness fully incorporates the contribution of the Air National Guard and Air Guard and Air Force Reserve forces. The programs responsible for this significant strengthening of our Air Force cover the full range of resources from people to equipment and support. As a result, we are seeing positive improvements in almost every area of military capability.

We are expanding and modernizing our force structure to meet the challenge of an increasing threat. Throughout the 1980's significant increases in readiness and sustainability were achieved--increases which clearly contributed to our improved combat capability. As the Air Force Chief of Staff related in his FY 87 USAF posture statement, the 83 percent increase in our ability to support fighter wartime sortie operations since 1980 is primarily due to increased availability of spare parts. Overall the increased spares funding translates to a 12 percent increase (across all mission areas) in peacetime aircraft mission capable rates as compared to 1980. The F-15 and F-16 are operating with 80 percent mission capable rates as compared to approximately 65 percent in 1980. Further, spares funding contributed to a 25 percent increase in total strategic airlift capability since 1980 which makes it possible to more responsively deploy combat resources in a contingency.

Modification and enhancement of existing weapon systems pay major long term dividends in increased capability at favorable life cycle cost when compared with the acquisition of new systems. The trend in our training programs continues toward more realistic training as evidenced by our increased joint exercises and deployment programs. Our combat crews are flying more, with better equipment, which is better supported; and they are flying in more realistic training scenarios.

PRIORITIES

In establishing Air Force priorities, we consider a series of closely related external factors which, when aggregated at the national level, form the basis for national security policy. These include the dynamic nature of the Soviet block military build up, both in force structure and quality; the refinement of our fundamental roles and missions; and the changes in the defense guidance. Each of these factors directly affects our capability to deter war or, failing deterrence, deny the enemy their political and military objectives. To support our national military strategy, the Air Force has the following priorities:

- Modernize the strategic nuclear forces;
- Improve the readiness and sustainability of the general purpose forces;
- Increase airlift capability;
- Modernize and expand the tactical forces.

The present and planned capabilities that are discussed in this statement are built around these priorities and our stated goal to continue to improve Air Force warfighting capability in order to meet the threat. A short summary will conclude this joint USAF XO/LE statement.

CAPABILITY IMPROVEMENTS

To achieve deterrence or military victory on terms favorable to us, we should continue to make our forces more effective in both quality and quantity. The budget request that we sent to you this year strives for continued improvement in our military capability.

The national security benefits derived from your support of readiness over the past five years have been manifested by improvements across the entire US Air Force.

The results of increased funding in the readiness accounts is achieving the desired effect. Our crews are flying more--training more effectively and safely--and our stocks of spare parts and munitions are increasing to meet the demands of peacetime training and the requirements for wartime consumption.

As we now begin to realize the accrued benefits of past expenditures, we need to continue to look forward and build toward a force that remains relevant to the growing threat. We cannot be satisfied to have merely improved relative to where we were. We should build and maintain the forces necessary to resolve any conflict at the lowest level--on our terms. In other words, we must be able to meet and defeat the growing Soviet threat. The FY 87 budget provides for the improvements that follow:

FORCE STRUCTURE AND MODERNIZATION

STRATEGIC FORCES

Our strategic modernization program is progressing well. We have begun to redress the serious strategic nuclear imbalance which developed between the US and the Soviet Union. However, weapons development only translates into capability when new weapons are procured, fielded, and provided the necessary support for training and fielded operations.

In order to implement the comprehensive strategic nuclear modernization program, for which the Air Force is largely responsible, we should proceed with full deployment of the Peacekeeper missile system. Continued Congressional support for this program will send a strong signal to the USSR concerning our resolve and commitment toward a nuclear force which puts teeth and credibility into deterrence. In addition to Peacekeeper, the following actions in support of strategic modernization are continued in the 1987 budget:

- Fielding the B-1B
- Procuring air launched cruise missiles (ALCMs)
- Continuing development of the advanced technology bomber
- Modification of the B-52G/H for carriage of ALCM's
- Upgrading our air defense capability by replacing F-106 interceptors with state of the art technology like the F-15

TACTICAL FORCES

To improve and continue to maintain the most effective tactical air arm, the Air Force is committed to a realistic tactical modernization and expansion program. Our tactical forces need to be able to move quickly to achieve air superiority and provide critical air support for our ground forces. The FY 87 budget supports a modernization program for tactical forces which will enhance our capability in these roles. This program emphasizes three key objectives:

- Building the capability to attack and destroy surface targets at night and in all weather conditions.
- Improving effectiveness and survivability through better sensors, avionics, and weapons.
- Developing tactical aircraft designed to meet the threat of the 1990s.

As we modernize our tactical forces, we also need to ensure an adequate force size and mix of aircraft. Our global requirements dictate an increase in the number of tactical fighter wings to a goal of 40 wings while concurrently maintaining the force at an acceptable aircraft age and technology level. We currently have reached 37 tactical fighter wings and should reach our goal by 1991 according to the President's Budget. This 40-wing force does not reach the full requirement, but represents an achievable force mix comprised of the following aircraft: F-15, A-10, F-16, F-4, F-111, EF-111, and F-4G.

Our tactical non-strategic nuclear forces are made up of dual capable fighters and ground launched cruise missiles (GLCMs). Continued deployment of the GLCM will allow theater commanders the option to use dual capable fighters for a longer period in a conventional role.

FORCE PROJECTION

A fundamental element of US military capability is the ability to rapidly project military forces worldwide. Force projection assets include both airlift and air refueling aircraft.

AIRLIFT

Airlift provides the response and flexibility required for immediate contingencies and the ability to sustain over the long haul. Since we do not control the time and place of combat, we have to be able to move quickly to defend our interests anywhere in the world. While significant improvements have been made in our intertheater airlift capability, it is still significantly less than what we need. The FY 87 budget includes programs which will continue to strengthen our force projection capability and reaffirm our commitment to achieve the long-term airlift goals mandated by Congress and adopted by DOD. Programs which support this effort include:

- Acquisition of 21 C-5Bs
- Continued development and procurement of the C-17
- Procurement of the remaining KC-10s to complete the buy of 60

AERIAL REFUELING

Because of our global force projection requirement, we have experienced a substantially increased need for aerial refueling. Our tanker modernization program is designed to alleviate existing shortfalls in refueling capability. The re-engining of the KC-135 and addition of the KC-10 combine to increase our offload capability by the end of this year by 25 percent over 1980. These programs are continued within the 1987 budget.

READINESS AND SUSTAINABILITY

While force structure and modernization provide us with the size and technical sophistication to better combat a more capable adversary, readiness and sustainability provide the essential ability to deploy, employ, and fight for the duration of the conflict. Success in combat requires a balance of force structure, modern equipment, well trained people, effective repair facilities, spare parts, munitions, fuel and other supplies in the right place at the right time. We are ever mindful that our investment in force structure and modern weapon production can be translated into a warfighting capability only if readiness and sustainability programs are equally healthy.

These two components of military capability quite often overlap. Spare parts, for example, are both readiness and sustainability items. Spares must be available for the forces to be able to train prior to engaging in combat. Spares also must be available for the force as it engages in combat. The major elements contributing to readiness are people, training, equipment and spares. The major elements contributing to sustainability are people and supplies (including fuel and munitions). A look at these elements in more detail follows.

PEOPLE

The FY 87 active military manpower request reflects a growth of 730 military personnel and an increase of 1,558 civilian personnel between FY 86 and FY 87. The purpose of this increase is to support numerous readiness requirements and accommodate force structure expansion. Manpower increases in the following areas add significantly to our readiness:

- B-1B Deployment
- Medical War Readiness
- Chem-Bio Defense Expansion
- Command, Control, and Communications
- Aerial Ports
- Air Reserve Forces
- Tactical Force Structure
- Training and Research and Development

We need to have adequate manpower, military and civilian, if we are to maintain the quality and capability of our expanding force structure at the required level of readiness. Lack of support for additional manpower resources will result in operating at marginally acceptable levels of performance. Underfunding manpower requirements will ultimately affect morale, performance, and retention of our most valuable resource.

The European troop strength ceiling continues to complicate the task of force planners and theater mission commanders in executing overall national military strategy. We solicit your support in eliminating this ceiling. In order to comply with the ceiling, the Air Force required force reductions in OV-10 (two squadrons) and RF-4 (one squadron) forces to accommodate programmed growth in the Ground Launched Cruise Missile (GLCM), TR-1 and other systems. Extension of the ceiling into the outyears will probably require additional force reductions which could not only affect readiness, but could also affect major force programs for the European theater.

Once our manpower requirements have been defined and authorized, the task becomes one of recruiting and retention. The best equipment that money can buy will not provide us security without quality people on board. When a highly trained pilot resigns (and we are seeing this happen as the airlines are once again hiring), or when a seasoned crew chief hangs up his or her uniform, years of irreplaceable experience are lost. In contrast to the 1970's, when many of our experienced people walked out the door, we have been retaining and attracting high quality recruits. As a result, our combat capability did improve. However, the recruiting and retention environment is fragile and we are just now seeing the beginnings of a slight downward trend in this area due to the impact of a stronger economy, falling unemployment rates, a declining youth population, and anticipated private sector competition for skilled people. We must take care of our people by providing the entitlements they have earned and deserve. We must also guard against the perception that these entitlements can be turned on and off with regularity. If we cannot allay this atmosphere of uncertainty, we could face problems in the future.

TRAINING THE FORCE

Without question, training is one of our most important readiness issues. Properly trained people, along with the right mix of equipment and proper support, produce our immediate deterrent posture and our ability to fight and win in combat. Our goal is to provide the United States with the best trained Air Force in the world. To achieve this goal, we need to train as we intend to fight. We plan to continue with the most aggressive and realistic training possible.

Our commitment to realistic training is best illustrated by our extensive exercise and deployment programs. In large scale exercises, such as RED FLAG, MAPLE FLAG, and COPE THUNDER, our aircrews routinely experience the most demanding simulated combat environments available in peacetime. During these exercises, our crews fly against simulated enemy aircraft and ground defenses. They have the opportunity to deliver live weapons on realistic enemy targets. We have increased the number of tactical fighter crews who have participated in fighter exercises by over 93 percent since 1981.

Our joint exercise program is another important element of operational training. Our units participate in exercises with the other Services and the forces of our allies. As a major part of the JCS exercise program, we deploy and employ forces under the joint command arrangements they would experience in wartime.

Another successful training program is total force oriented and involves deploying active duty, National Guard, and Reserve units overseas to their intended wartime operating locations. Once in place, they become familiar with their operating base as well as local weather and terrain. They gain valuable experience by working side-by-side with allied forces and participate in multi-national exercises.

Achievement of the quality training described above is contingent upon our flying hour program receiving the fullest support. This is the largest of all Air Force O&M programs and equates to 30% of the Air Force O&M budget. Air Force flying hours have increased 11% since 1980. This results in increased training opportunities, which improve aircrew proficiency and combat readiness. Our mission capable rate has improved 12% over the same period. Key logistics indicators have also turned in the right direction. The Total Not Mission Capable Supply rate, which reflects aircraft degraded for lack of spare parts, has decreased by 25%. All of these improvements translate to more available airframes, a more balanced force, and most importantly, increased combat capability.

The improvement of non-flying support training is also of major importance. The quality of training for our enlisted personnel increased as we stressed training in technical and critical Air Force specialties. FY 87 initiatives in this area continue to emphasize training and support programs designed to improve returns in high pay-off areas such as aircraft maintenance and other specialized skills.

DEPOT MAINTENANCE

The Air Force Depot Maintenance program is highly visible because of its direct impact on force readiness. The total FY 87 active Air Force depot maintenance program request of $3.4 billion is for our organic depots, contract repair services, and other military services support. Our contract supported work is related to Air Force compliance with government and DOD policy to rely on competitive private enterprise when no overriding factors require in-house performance.

In FY 87 the rates charged by our industrially funded maintenance activities will be 4.5% lower than the rates charged this year. This is the third year in a row that we had negative rate changes. This reflects increased productivity: through a stabilized work force, through equipment modernization under the Asset Capitalization Program; through a higher ratio of direct to indirect workers; and through better control over material used in the repair process. In addition, the gains we have made in our acquisition initiatives have resulted in lower costs for the material sold to the maintenance shops.

Depot Maintenance is a major source of serviceable spares for operations. Repairing spares costs less than 15% of new comparable items. Thus it is essential that we fully fund this program because of its potential for positive impacts on readiness.

MODIFICATIONS

The modification program is designed to maintain the Air Force aircraft inventory at the most modern configuration level at minimum cost. Since we do not have many new aircraft entering the inventory, the average age of our total aircraft fleet will approach 16 years by the end of FY 87, up from 15 years in FY 85. The modification program provides new capabilities to allow this aging fleet to counter the changing and increasing threat. It also provides for the extension of aircraft service life beyond original design goals, ensures maximum safety and improves reliability and maintainability.

We have taken advantage of new technology hardware to replace systems for which spare parts and logistics support are no longer available. Standardization programs supported by this committee and industry have given us current technology hardware which significantly reduces supportability problems without extended development time. The F/FB-111 avionics modernization program is a good example of the adaptation of hardware developed and employed on other aircraft; when completed this important weapon system will be much more effective.

Starting in FY 86 (with Congressionally added funds) we've initiated several modifications with heavy reliability and maintainability paybacks. Replacements of the A-7 and F-4 Inertial Navigation Systems are examples of such modifications which were very favorably supported in FY 86 Congressional actions. We are also continuing to replace tube-type avionics and analog computer technology with more reliable solid state and digital systems. We have several mods underway on our C-130s and helicopters to improve the capabilities for the Special Operations Forces. We are reducing our tanker shortfall by re-engining the KC-135 with commercial turbofan CFM-56 engines; the aircraft will have increased range and fuel off-load capability. We are requesting 50 KC-135 modification kits in FY 87 and the outyears based on the contractor's volume pricing proposal; this will save nearly $1 million per aircraft in engine costs due to production efficiencies.

READINESS MEASURES

Measurement of readiness and military capability has been and continues to be a difficult task. The lack of some measure of "defense productivity" has led to misapplication of existing measurement systems to fill this void. In the recent past UNITREP, C-ratings, was misused as a surrogate for an integrated force capability measurement system. The shortcomings of this misuse have resulted in tremendous efforts by the DOD, JCS, and the services to build a more complete picture of force capability--one that would more accurately relate our actual military capability improvements. In order to put this concept into clearer perspective, one needs to examine its component parts, which we call "resource measures","representative capability measures", and the term "warfighting value". Let us briefly explain each of these parts. Resource measures indicate the number counts (aircraft, spare parts, people) of resources at the unit level. These number counts generally are expressed as a percentage of resources on hand versus those authorized. The primary example of a resource measure is the JCS UNITREP system, which we will discuss more later. A representative capability measure is an estimate of what a specific weapon system can do against a representative task. For example, we have seen an 80% increase in the ability of ICBM kill capability against very hard targets since 1980. Finally, the term warfighting value reflects the value or worth of our resources against a military objective in a given combat situation. There are many variables that affect the value or worth of our resources, including strategy, threat, tactics, objectives, and execution. The measurement of warfighting value is an extremely difficult task especially when general conclusions are derived based on calculations in a specific hypothetical situation.

This past year we have actively pursued improvements and refinements to our present resource measures and developed some key representative capability measures to better portray to this committee our combat capability.

RESOURCE MEASURES

Last year, you asked us to look at readiness indicators and what improvements are being made to increase our ability to assess the readiness payback from increased spending over the past five years. In response, we have taken strides to move in a direction which will ultimately achieve the goals you requested. Together the Air Force logistics and operations communities are engaged in innovative efforts to better assess our combat capability.

One of our initial efforts focuses on making resource measure, UNITREP C-ratings more meaningful. As previously mentioned, UNITREP C-ratings provide us the means to measure the status of unit resources. These measures are both necessary and functional. At the same time, we are looking at ways to modify UNITREP. To achieve this, we have adapted a portion of the Air Force Logistics Command (AFLC) Weapon System Management Information System (WSMIS). WSMIS provides unit level logistic readiness assessments by highlighting resources and processes which limit or can be expected to limit a weapon system's combat capability/availability.

The commander can now see beyond the traditional "percentage of authorization on hand" data to an anticipated sortie output. We are considering this assessment as an alternative to the War Reserve Spares Kit fill percentage used in current UNITREP reporting. This effort gives us a better feel for the unit's sortie generation capability based on its spare parts.

A more macro view of sortie generation capability is provided to Air Force planners by the Logistics Capability Measurement System (LCMS). LCMS is a family of models which are used to relate resources to readiness and sustainability at the theater/worldwide level. The Aircraft Availability Model (AAM) estimates levels of peacetime aircraft availability given a specific level of spares funding. The Dynaview Model relates spares inventory to the increase parts usage (though not battle damage) imposed by the anticipated wartime sortie rate. The Air Force War Reserve Material (WRM) Munitions Model relates current and programmed inventories of aircraft munitions to wartime sortie requirements and provides estimates of the number of sorties that can be flown with available munitions. These models are useful in the assessment of program budgets.

REPRESENTATIVE CAPABILITY MEASURES

In an effort to provide a measure of how our capability has changed over time, the Air Force has developed a relative comparision of the capability of today's forces versus the forces on hand in 1980, measured against representative targets or goals. This effort is a step towards integrating the elements which make up military capability. The results of the representative capability measurement help us estimate what cannot be gleaned solely from C-ratings (resource measures)--our major fighting forces are better, in most cases significantly better, than they were in 1980. This representative capability measurement effort, initiated by our Chief of Staff in July 1985, assesses the representative capability of our strategic offense (bomber and ICBM), strategic defense fighter interceptor, strategic and tactical airlift, and tactical fighter (air-to-air and air-to-ground) forces against specific tasks (targets or goals) which are representative of the wartime missions of those forces.

The final product of the assessment reflects relative change in force capability against representative targets/goals comparing 1985 against the 1980 baseline capability. Most of these results were included in the Chief's statement to the House Committee on Armed Services on 6 Feb 1986

- Strategic offense
    - Bombers - 90% increase in capability against a 2000 PSI target (hardened command bunkers)
    - ICBM - 80% increase in capability against a very hard target
    - Strategic defense fighter interceptors - 20% increase in intercept capability against an array of targets (Soviet bombers to cruise missiles)
- Airlift
    - Strategic - 25% increase in million ton mile/day capability
    - Tactical - 10% increase in tons/day capability

- Tactical fighter (European Scenario)
  - -- Air-to-air - 65% increase in capability against the Flogger D, the predominant threat aircraft
  - -- Air-to-ground - 90% increase in capability against bridges and trucks

It is important to note that while the relative capability assessment is measured against representative Soviet targets it does not account for continued and unparalleled growth and modernization of the Soviet forces. This initial assessment effort reflects, in a relative sense, how much better we are today as a result of our force growth, modernization, and sustainability improvements than we were in 1980. Future efforts will continue to improve both the quality and the the accuracy of our resource measures, and integration of the WSMIS program into UNITREP.

CONCLUSION

In the course of this review, we have focused on both our current and programmed readiness improvements. This year has seen us "turn the corner" on many of the deficiencies that have been prevalent in the Air Force over the past decade. The Air Force is an eminently stronger and more capable force than it was just five years ago.

We are flying more modern and more capable weapon systems, training our crews in more realistic and demanding scenarios, and retaining and recruiting a highly skilled and experienced force. The current state of simulator technology allows us to maximize our aircrew training efforts. In addition, our aircraft mishap rate in 1985 was the lowest it has ever been. The net effect of more flying hours and more effective and demanding training is a quantitative and qualitative force improvement which more than offsets the cost.

Also in this statement we have discussed our continuing efforts to improve our readiness measures. As our readiness and capability increases, directly resulting from this committee's support, the Air Force embraces its responsibility to more clearly tell the Congress and the American people our readiness and capabilities story.

Our needs--the Air Force and the Congress--are parallel. We must ensure that our requirements are properly stated and that the proper balance between requirements is achieved. While our readiness and combat capability have unquestionably improved, we cannot assume the job is done. We thank you for your active interest and continued support as we work to meet the demands of national security.

Mr. HUTTO. Thank you very much, General Marquez and General Fischer.

General Marquez, in your statement you indicate throughout the 1980's significant increases in readiness and sustainability were achieved. You discussed increases in inventory numbers, and that type situation, and related those inventory increases to increases in various mission capabilities. Has the Air Force done any work with trying to correlate funding, percentage increases to mission capability increase?

General MARQUEZ. Only to the extent that some of the capability charts showed. As I indicated then, in the commodity areas particularly, like spare parts, ammunition, and so forth, we have the capability with our model to run them forward and capability assessment of running them backward and then convert over to dollars.

So in actual fact by using those models we can take any given dollar value that we can get we are going to spend it in spare parts, for instances, we can show you commensurate increase of decreases, depending on the value, on what the capability to fly the mission sortie or the number of flying hours that we have. So in that respect, yes, sir, we are able to make a direct correlation to what we get out of every dollar we spend.

We can tell you pretty much the same way what is the relative benefit we get from every dollar placed in the depot repair area, for instance, because so much of our capability is being able to repair our spares and rotated back and forward, and we know now what we need to have dollar wise in terms of the other commodities such as fuel. We know where our constraints are now for where we might be able to need them, among them, as I said, being primarily being where to place them.

Yes, sir, in the overall aggregate, large aggregate, we are now capable with this family of models that we have to do that. And we are working developing other models that are even better at doing this job. My Weapon System Management Information System that we are developing actually has the capacity then to take dollars input and measure a variety of not only the equipment but the people, the spare parts aggregated to that particular squadron and then measure what its capability is.

Likewise, we can take the same thing and say, what is that squadron worth sitting there at home; what is that squadron worth deployed; what does it cost to get it over there in terms of airlift, et cetera.

The big problem in this capability assessment business is really being able to show an aggregate form that says, you know, whatever the Air Force got, which, say, a hundred billion dollars, equate it to how much increase in whatever, because of the difficulty in measure of the qualitative aspect, as General Fischer and General Vuono both said. Obviously an M-1 is better than an M-60. How much better, I don't really know. We know we can say that in its ability to kill target or whatever an F-16 is far superior to an F-4 in terms of range, in terms of what it can carry, its reliability, et cetera, et cetera.

So those qualitative things are the ones that are a little difficult for us to make, and when you try to put it in a squadron and you can have a C-2 or C-3 F-16 squadron is in many cases better able to do a job against a given force than a C-1 F-4 outfit and there are some of the qualitative problems that make it very difficult.

A problem we have been into the past year is that we got better, we started saying to ourselves, hey, let's judge ourselves realistically. So, we kept increasing our goals and saying, OK, let's raise this level for C-1, what we didn't realize is that we were making great progress but we were moving the goal line, we were bucking the odds at the 10-yard line, but still 20 yards away from a touchdown, and the reflection therein when you use UNITREP rating reports indicated that despite what we saw we were making great progress, our measurement system was reflecting that we weren't, and therein, you are familiar with the story there.

To get to your question, the answer is yes and no. I think that we can measure in the commodity areas and we can measure aggregate forms, some very direct outputs of readiness, capability, and sustainability to dollar input. In the areas of qualitative aspects you need to measure that against and compare it to what it is you are measuring against and compare it to a base line of some sort. There is where we are having our difficulty.

The other problem of saying that uniformly whether the same thing can be developed for all three of the services, I think the GAO handled that in its discussion fairly well because I don't really know myself how I gauge whether *Kitty Hawk* sailing out of Mr. Whitehurst's district out to sea how long it can stay or what it can do as opposed to a fighter squadron sitting there at Myrtle Beach Air Force Base.

I think maybe I probably confused the answer.

Mr. HUTTO. No. Thank you. In your statement you discussed several benefits effects resulting from increased flying hours. If the flying hour program should be cut in fiscal year 1987, have you advised a method of trying to project what effects different levels of funding reduction would have. Tell us something about what method you would use.

General MARQUEZ. Sirs, I would like to defer that to my colleague here. He is more in the flying area. I know what I would do, but I think I would rather hear from the operator first.

Mr. HUTTO. All right.

General FISCHER. Yes, sir; the answer is, can we tell dramatically what that would do and as you can see from some of the material I presented, if you look at representative capabilities of a system to destroy targets, you can tell whether you can do that somewhat better with an F-16 than with an F-4. You can also crank in training, combat readiness status of our air crews, number of flying hours that they get, and all that works into the same formula.

So you work it backward if you start taking out flying hours, or you start taking out money for spare parts, then capability will come down. We can measure that.

Additionally, if it is measured in the major commands, certainly those commands that deal in our flying program, Strategic Air Command and very importantly right now in the Strategic Air Command, is the issue of tanker flying hours. They have suffered a cut by Congress in flying hours and it is very dramatic. Immediately their air crews are down to some 16 hours a month. Obviously they are not refueling everything they should be, they are not training at the very minimum, so you can tell the impact of flying hour cuts very quickly.

Mr. HUTTO. Yes, sir.

General MARQUEZ. May I add something?

Mr. HUTTO. Yes, sir.

General MARQUEZ. I think there is something that I think we could speak for all of us. We have known for the last decade that we really were not flying our air crew sufficiently. As we grope around to finding out what is the right mixture, how many flying hours, we think that somewhere around 20 hours a month is about right for a fighter pilot and we break that down by a very experienced pilot or a young lad trying to get experience.

I think really the bottom line to the whole discussion is that when we achieve those levels and they are going to be very hard in peacetime given all the other things we have to do with those crews, we are not going to go a step further, so that any given time now we decide to—we are very low with many of our units because we are not flying any excess flying hours, to maintain the sharp honed skills we think they have to have, be they bomber pilots, transporters or fighter pilots.

Mr. HUTTO. Can't afford those hours.

General MARQUEZ. We are loathe to do that. Obviously you can afford to. We went to the 1970's at two-thirds of what they are flying now, but we never were comfortable with that.

Mr. HUTTO. OK. Mr. Whitehurst.

Mr. WHITEHURST. Mr. Chairman, I would like to make an observation, and it may be because of the nature of the service that you are part of, but I was struck by the briefing. You seem to have a greater handle on readiness per se than the other services. I think that is because of the unique nature of the Air Force, most especially the Navy which I think is the most difficult service of all to get a handle on readiness.

In the hearings we have held on readiness I have a certain measure of sympathy for them, but I think there are some things we can still do and try and improve them. But I think that will always remain a difficult service to measure readiness and capability.

In your case it is a little more precise, the equipment you have, pilots and so forth. This was a particularly good briefing and I want to salute you for it.

General MARQUEZ. If I may add to that, Mr. Whitehurst, I think because of the fact that in the Air Force we really fundamentally always have one fundamental fighting unit and that is the squadron. We deal with squadrons.

Mr. WHITEHURST. Yes.

General MARQUEZ. And I really feel for my Navy brethren because they have to deal with a carrier which has squadrons, has helicopters, and a bunch of other stuff on board. Our job relatively speaking compared to that is fairly simple.

Mr. WHITEHURST. And the other components that interface with an aircraft carrier, yes, surface units, submarines, and so forth; no doubt about that.

Mr. Chairman, I am really pleased to see the number of flying hours go up. That has been one of my pet peeves ever since we organized this subcommittee, and I know in the first couple of years we were in existence, I just raised cain about them. So you are getting up now to the point, as General Fischer mentioned, you are not maxing out but flying those airplanes frequent enough, as last mentioned 15 missions a month.

Just one question. In respect to service commonality and readiness measurement, and General Marquez, I guess I will address this to you, in regard to the need for greater commonality among centralized control of the services' efforts to measure readiness and capability, can you give us some examples? Are there any joint efforts?

General **Marquez**. Yes, sir; there are. As you know, we have the OSD working group, which is working with the Joint Chiefs of Staff and the JCS, they publish the publication for readiness, so it is the JCS mandated system basically we run and the JCS is then working with the services to try to develop the ways that we can do a better job.

Our problem has been, frankly, that once again finding those common denominators to uniformly measure together using the same parameters, and then finding ways and dealing with the aggregate forms.

As I say, to us it is a much simpler job because our basic fighting unit is a squadron, be it of bombers, or be it of transporters, or be it of fighters, we can deal with it as squadron sets, so we know then that the people in that squadron, whether we have the right number of people, crews, of ground crews, are they properly trained, are they fully equipped, do they have the full complement of equipment, and then what degree of spare parts is their mobility. And those four elements, really then, when you measure them can be measured uniformly.

As I say, I don't know how I would apply it to the *Kitty Hawk*, but I know very well how to apply it to the 363d fighter squadron, and that is very easy for us. We do that very well.

I think once we can grope through those problems and come out with fundamentals at least we can say these are apples and these are apples, we can make some progress.

The modeling world that we are all familiar with now, you know, is very amenable to doing those kinds of things, starting with the model and making sure you can get the input, and you can feed the model in a timely enough way that if you don't have a model, you have to wait 6 months to run.

Our WSMIS, we can run that in 40 minutes. For any given squadron I can tell you right now what it can do. So, yes, sir; there are efforts. In the Air Force that revolves to General Fischer, and my guys are working very close together with him. The working groups are important. I wish I could report to you that we are making progress by leaps and bounds, but as you heard General Vuono say, we aren't, and I think fundamentally it is defining the building block and then how to measure them in more uniformity I think is our problem. I will defer to General Fischer for anything he wants to add.

General **Fischer**. I would only add that, can all the services be put together and centralize measurement capability, the answer is probably no.

Mr. **WHITEHURST**. Thank you very much. That is all.

Mr. **HUTTO**. Thank you, Mr. Whitehurst.

General Marquez, has the much needed defense buildup of the last few years created an inventory management problem and affected readiness? Has the Air Force made any efforts to measure supply readiness and military capability?

General **MARQUEZ**. Yes, sir, very much. Not only have we made the efforts to measure supply readiness, but right now we are very capable of measuring, you know, that our readiness is based on our readiness supplies. The models I showed you earlier of course, are basically as we say item specific. In other words, we would take the entire aggregate of every piece, part flown in an airplane and run that model and we can tell you based on its inherent failure rate when it is going to fail, so we know that.

So we don't really have supply problems in that way. Now, do we have inventory problems as a result of the buildup? No, sir, we do have and have had for some time some difficulties in our warehousing and inventory control system, simply because of the diversity of the system. We have them dispersed all over the world. Our warehousing and distribution is worldwide. Of great concern to us in the last 3 or 4 years has been the fact that we have been operating with some automatic data processing equipment, our supply computers and so forth, that had become fairly antiquated, and some of you are certainly familiar with what happened to it in the mid-1970's and when we were bringing in the automatic, that would be the advanced logistic system on board, and unfortunately it was too ambitious and it cracked. The result of that was about 6 or 7 years where for a variety of reasons the Air Force was really unable to move forward to modernize its automated data processing equipment.

We have broken through all of that now and we are well underway with that. We will be starting to implement what we call our stock control and distribution system, which will enable us now to put all our inventory on much more capable computers, much more faster running that are not dependent on our facts processing and so forth and so on.

Our asset visibility in that case will go way up. We have gone to bar coding. We have got this project we call Logmars, but we are going to automatic warehousing so we are in the process of automating our warehouses. Primarily our warehouses are large depots, so in the process of doing that, we have done a very good job of getting all of our inventory, finding out where it is, making sure we have it all.

We have been under some criticism over the last several years by several people, predominantly because we have been looked at not only by the GAO and looked at by our own inspector general on our inventory control.

As you know, we don't make wall to wall inventory because it is not really an accepted method any more of doing inventory. But we do sample inventory by which we will go on any sample basis, we will see what our stock records tell us what we have and where it is, go out there and check and out of that we get a feeling for how viable is our inventory control method. Statistically it has been very good.

We are short people in that area. We are short around 700 people to do that job. We asked for the people and the Department decided not to request a submission over to the Congress, and very frankly, I really don't think that is the way to solve it to begin with. I think getting people out there counting things is a very old fashioned way of doing things, and I would not recommend doing it. But be that as it may, we don't have it.

An area that really got us concerned, you may recall last year there were stories in the newspapers about seamen out there on a carrier somewhere being accused of having diverted some F-4 parts to the ayatollah's Republic of Iran, or F-14 parts. I got very concerned about it for one reason. We do, I think, in the Air Force, a very good job of indoctrinating our people to make sure that we keep track of stuff, particularly the things like supply and jacket, the watches, those kinds of things that are pilferable kinds of things that people will use.

When we saw that, we said to ourselves, you know, it never really occurred to us that there are nations out there in the world who would very desperately love to get their hands on an F-4 spare part and we had not done too good a job indoctrinating people that foreign powers might want these things. You know, as you walk around our everyday society, there are not too many demands for an F-4 spare part out there on the street anyway, and so as a result, we tend not to really worry about that.

When that thing hit the newspapers, we immediately sent a group together. We went all the way out there and said, OK, look at this very carefully. I want to find out what is our degree of supply vulnerability. In other words, are we vulnerable for this kind of thing?

Second, let's tighten up again on our physical security of inventory and make sure we have got it, and third, let's check and see if we have a mind set, in other words, if we have our people sufficiently sensitized to the fact that the ayatolah's air force needs F-4 parts and he might very well try to buy some from you, and we did that. And we found out that, yes, we do have that kind of problem.

We have been working very hard at correcting that. We have put together a very comprehensive plan back in 1983, actually, which would take care of inventory control problems and we are well on our way to accomplishing that. But when I say that I have to tell you that it won't be done until about 1989 or 1990 simply because some of these are dependent on the delivery of that automatic data processing equipment and the completion of automatic warehousing and a few of those other things.

But we are very concerned about it being vulnerable to diversion to foreign powers, it being vulnerable just to theft, fraud or waste, or whatever. And so we have done a lot of things toward indoctrinating our people to be more careful.

As you know, the GAO has been looking at this as a result of that incident. The GAO did go out and look. They gave us a brief last week and indicated that they had some difficulties, they had uncovered some problems. We did not get the full documentation of what they gave us. We are really concerned about what they said, predominately because we are very concerned the depth of the look they took at it was not sufficient to make a generalized statement or an assertion that we are in deep trouble across the board. Some of the examples that they have shown indicate rather superficial statement of the question or a misunderstanding of how the whole process works.

So I would not be at all surprised, gentlemen, to see some revelation in the next few days that perhaps there is widespread total loss of inventory control in the Air Force, and I would like to reassure you gentlemen that that is really not so. That is not to say that it is perfect.

Mr. HUTTO. Well, it looks like you are taking steps to curb any abuses and you are looking forward in trying to deal with the problem.

I want to join my colleague, Mr. Whitehurst, in complimenting you on your presentation. It is good to have both of you with us today and we thank you for your cooperation with us, and look forward to continuing to work with us on readiness and on defining readiness, and I think progress is being made.

Thank you very much for being with us. We appreciate it.

General MARQUEZ. Thank you very much, sir, and we hold this committee in great regard because it has been very helpful to us in the past, and I am sorry the chairman, Mr. Daniel, was not here. I would like to have seen him.

Mr. HUTTO. Well, thank you very much, and I am sorry that Mr. Daniel couldn't be here, and I know he is sorry he couldn't be here, but he and Mr. Whitehurst have been really stalwart in pushing readiness, and have done an outstanding job.

The subcommittee stands adjourned.

[Whereupon, at 3:37 p.m., the subcommittee adjourned, subject to the call of the Chair.]

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